



Semiannual Report to Congress, No. 74

October 1, 2016–March 31, 2017



U.S. Department of Education
Office of Inspector General

Office of Inspector General
Kathleen S. Tighe
Inspector General

May 2017

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Message to Congress

On behalf of the U.S. Department of Education (Department) Office of Inspector General (OIG), I present this Semiannual Report on the activities and accomplishments of this office from October 1, 2016, through March 31, 2017. The audits, investigations, and other related work highlighted in the report are products of our continuing commitment to promoting accountability, efficiency, and effectiveness through our oversight of the Department's programs and operations.

Over the last 6 months, we completed 43 investigations involving fraud or corruption related to the Department's programs and operations, securing more than \$59.7 million in settlements, restitutions, fines, recoveries, forfeitures, and savings. In addition, as a result of our investigative work, criminal actions were taken against a number of people, including school officials and service providers who cheated the students they were in positions to serve. We also issued 15 audit and other reports that contained recommendations to improve program operations.

The following are some examples of the results of our audits and investigations over the last 6 months.

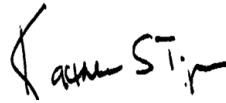
- Our audit of the Federal Student Aid office's (FSA) processes for identifying schools participating in the Federal student aid (Title IV) programs that are at risk of closing and for mitigating the potential harm to students found that although FSA had processes in place, including newer processes that it adopted in response to the closure of Corinthian Colleges, as well as the new borrower defense regulations, it could do more to identify Title IV schools at risk of unexpected or abrupt closure and mitigate the potential harm to students and taxpayers.
- Our fiscal year (FY) 2016 Federal Information Security Modernization Act review concluded that the Department's and FSA's overall information security programs were generally not effective, and although they both made some progress in strengthening their information security since FY 2015, weaknesses remained, leaving their systems vulnerable to security threats.
- In FY 2016, although the Department and FSA received unmodified financial statement audit opinions, the auditors identified two significant deficiencies in internal control over financial reporting. First, the Department did not have a comprehensive framework for risk management or fully developed internal controls for its modeling activities related to the cost of the student loan programs, which can impact the reliability of its estimates used for financial reporting, budgetary formulation, and management analysis. Second, the Department had persistent deficiencies in controls over information security, which increase the risk of unauthorized access to the Department's systems.
- Our audit found that the Institute of Education Sciences, a Department unit that employs thousands of contractor personnel, did not effectively implement security screening requirements for them. As a result, the Department lacks assurance that these contractor personnel who have access to Department-controlled facilities and systems, unclassified sensitive information, and school children are suitable from a security standpoint for the level of access granted to them.
- A former Arkansas State representative pled guilty to directing more than \$600,000 in taxpayer dollars to two nonprofit entities in exchange for financial kickbacks. A former State senator, the president of Ecclesia College, and a business consultant were also indicted for their alleged roles in the scheme.
- The founder of the now-defunct Latin Academy Charter School in Georgia was indicted in connection with the alleged theft of more than \$735,000 from the school—the largest alleged theft in the history of Georgia charter schools.
- In two separate investigations—one in California and one in Minnesota—three men were sentenced for providing material support to the Islamic State in Iraq and Syria and using or attempting to use Federal student aid to provide such support.

- The owner of the now-defunct FastTrain College (who is currently serving an 8-year prison term) was ordered to pay more than \$4.1 million in restitution for orchestrating a massive fraud scheme that preyed on more than a thousand students and stole millions of taxpayer dollars. The court also awarded damages in excess of \$12 million and imposed more than \$10 million in civil penalties.
- Three people were indicted in Arizona for leading a student aid fraud ring that used the stolen identities of more than 480 unwitting victims to fraudulently obtain nearly \$5.3 million in Federal student aid.

In this report, you will find more information on these efforts, as well as summaries of other audits and investigations. Also included are summaries of our [FY 2017 Annual Plan](#), which presents the work we plan to conduct during this fiscal year, and our [FY 2017 Management Challenges report](#), which discusses in detail the most significant challenges facing the Department, the Department's actions and plans to address the challenges, and further actions needed to address the challenges. For FY 2017, we identified five management challenges: (1) improper payments, (2) information technology security, (3) oversight and monitoring, (4) data quality and reporting, and (5) information technology system development and implementation. I had the opportunity to discuss these challenges before the U.S. House of Representatives Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies in March, as well as bring to their attention an emerging fiscal challenge related to Federal student aid credit subsidies. You will find a summary of my testimony in this report.

I am very proud of the work we completed during this reporting period, that criminals are behind bars, and that the Department has before it recommendations from our reports for improvements. Our recommendations, when implemented, will help prevent fraud and abuse, protect student interests, improve oversight and monitoring, and recoup taxpayer dollars.

I look forward to working with Secretary DeVos, the 115th Congress, and the Department's leadership team, and my colleagues in the inspector general community to provide our nation's taxpayers with assurance that the Federal Government is using their hard-earned money effectively and efficiently.



Kathleen S. Tighe
Inspector General

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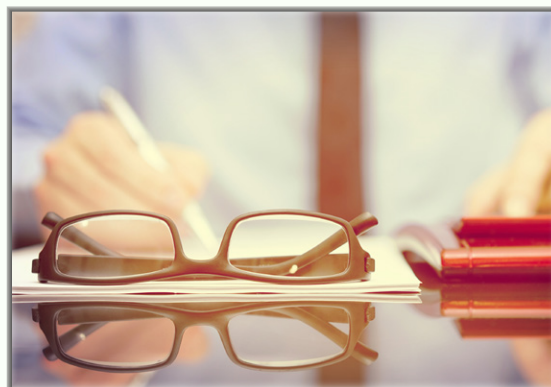
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Goal

Improve the Department's ability to effectively and efficiently implement its programs.

Our first strategic goal reflects our mission to promote the efficiency and effectiveness of the U.S. Department of Education's (Department) programs. To achieve this goal, we conduct audits, investigations, and other activities that examine Department programs impacting its mission to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. In our audit work, the Office of Inspector General (OIG) evaluates program results compared to program objectives, assesses internal controls, identifies systemic weaknesses, identifies financial recoveries, and makes recommendations to improve the Department's programs and operations. In our investigative work, we focus on serious allegations of fraud and corruption and work with prosecutors to hold accountable those who steal, abuse, or misuse education funds. Investigative work that contributed to this goal over the last 6 months includes cases involving charter schools and a case involving public corruption. Below are summaries of the work that OIG completed related to this goal.

Audit

Data quality and reporting are vital to the Department's business operations, as they contribute to effective program management, inform funding decisions, and help to ensure the credibility of information the Department publishes. As such, the Department, its grantees, and its subgrantees must have controls operating effectively to ensure that accurate, reliable data are reported. Data quality and reporting were the focus of an audit completed during this reporting period. Our audit involved the Department's Rehabilitation Services Administration (RSA)—a program that awards about \$3 billion in grants to State vocational rehabilitation agencies each year for programs that help people with physical and mental disabilities obtain employment and live more independently. It was the fourth and final audit in a series of work on this subject. In our Semiannual Report to Congress No. 72, we provided summaries of the three previous audits that focused on the quality of data included in three State vocational rehabilitation agency performance reports—California, Ohio, and Pennsylvania. The audits found that the three vocational rehabilitation agencies' lack of adequate internal controls over data quality contributed to their reporting of unverifiable and incorrect data on their case services reports (known as RSA-911 reports). As a result, RSA may have improperly determined that the States successfully met the performance standards of the grants they were awarded. During this reporting period, we completed the fourth and final audit in this series that focused on RSA and whether it had adequate internal controls to provide reasonable assurance that data submitted by State vocational rehabilitation agencies were accurate and complete. A summary of the audit follows.

Rehabilitation Services Administration's Internal Controls Over Case Service Report Data Quality

Our audit found that RSA did not have adequate internal controls to provide reasonable assurance that data State vocational rehabilitation agencies submitted in their RSA-911 reports were accurate and complete. Specifically, we found that RSA's monitoring procedures did not require program staff to determine whether State vocational rehabilitation agencies had established and implemented adequate internal controls that provided reasonable assurance that their RSA-911 report data were accurate and complete. Further, RSA's procedures did not require program staff to perform any testing of the data during monitoring visits. In addition,

RSA did not require State vocational rehabilitation agencies to certify that the RSA-911 report data submitted were accurate and complete. Lastly, we found that although RSA's edit check programs provided some level of assurance regarding the completeness of RSA-911 report data these agencies submitted, RSA had not properly documented its procedures on the use of these programs. Without a system of internal control, RSA cannot rely on the data to reflect an agency's true performance when it calculates performance levels and determines compliance with mandated timelines for delivering vocational rehabilitation services to participants. The extent to which an agency is meeting its performance levels and timely serving participants should influence the amount of oversight and monitoring that RSA may need to conduct at that agency. Reliable data are also important to ensure that the annual reports RSA submits to Congress and the President and makes available to the public accurately report the vocational rehabilitation agency's performance. We made seven recommendations to address the issues identified, including that RSA develop procedures for periodically reviewing the processes State vocational rehabilitation agencies use to capture, review, verify, and submit their RSA-911 report data, including a review of the supporting documentation for the data. RSA did not explicitly agree with our finding or recommendations but did provide a corrective action plan stating the actions it had taken or that it was considering taking to address each recommendation. [A03N0006](#)

Investigations of Charter Schools

From January 2005 through March 30, 2017, the OIG opened 75 charter school investigations. To date, these investigations have resulted in 48 indictments and 36 convictions of charter school officials. The cases that have been fully settled have resulted in more than \$15 million in restitution, fines, forfeitures, and civil settlements. Below are examples of our charter school investigations.

Former President of Now-Defunct Delaware Valley High School Management Corporation Indicted for Role in Embezzlement Scheme With Congressman's Son (Pennsylvania)

The former president of the now-defunct Delaware Valley High School Management Corporation and another company, Unique Educational Experience, was indicted for allegedly embezzling funds from the School District of Philadelphia, defrauding PNC Bank, and filing false tax returns with the Internal Revenue Service. Between 2010 and 2012, the man allegedly conspired with the son of a Congressman to misrepresent the services the corporation and the company would provide to district students.

“ Since January 2005, the OIG has opened 75 charter school investigations. To date, these investigations have resulted in 48 indictments and 36 convictions of charter school officials and more than \$15 million in restitution, fines, forfeitures, and civil settlements.

The former president of the school allegedly conspired with the Congressman's son to hide the true costs of services provided by his company by submitting false budgets to the school district that included false benefit costs, inflated staff salaries, and salaries for staff positions that were never filled. According to the indictment, the man used the funds received from the district to enrich himself, including paying for contractors who performed work on his personal residence and vacation homes. In addition, the man and his co-conspirator allegedly devised a scheme to defraud PNC Bank and allegedly filed false income tax returns for tax years 2009–2011. The Congressman's son was sentenced in 2016 to 60 months in prison and was ordered to pay more than \$1.1 million in restitution for his role in the scam.

Founder of Now-Defunct Latin Academy Charter School Indicted in \$735,000+ Theft (Georgia)

The founder of the Latin Academy Charter School was indicted for allegedly stealing more than \$735,000 from the school—the largest alleged theft in the history of Georgia charter schools. The founder allegedly wired money from the school's bank accounts into his personal bank account and used the money at adult entertainment establishments, and spent thousands of dollars at car dealerships and on other auto expenses, travel, and cash withdrawals. The losses allegedly forced the school to close last year.

Action Taken Against Family Foundations Academy Charter School Officials (Delaware)

The former Director of Finance and Operations of the Family Foundations Academy charter school pled guilty to embezzling more than \$161,000 from the school. The school's founder and chief academic officer was arrested on similar charges. The former director charged personal expenses to an unauthorized credit card he opened in the name of the school, including home improvement purchases, electronics, jewelry, video games, travel, and hotel stays. He also abused the State's voucher program, which permitted charter schools to submit qualified expenses for reimbursement, and stole money from the school's fundraising account, which consisted of money collected from parents of school students, local sponsors, from an after school program, and the school's construction loan account.

Investigations of Public Corruption

Below is a summary of an OIG investigation involving public corruption—elected officials who were indicted, pled guilty, or were sentenced for using their positions of trust and power for personal gain.

Actions Taken Against Former State Representative, Former State Senator, College President, and Consultant for Roles in Kickback Scheme (Arkansas)

A former State representative pled guilty, and a former State senator, a college president, and a consultant were indicted for their roles in a \$600,000 bribery and fraud scheme. From 2013 through 2015, while serving in the State legislature, the State representative conspired with an Arkansas State senator to use their official positions to direct government money to two nonprofit entities, one of them being Ecclesia College, in exchange for kickbacks from those entities. To conceal the kickbacks, the college president allegedly gave some of the funds received from the State to the consultant, who kept a portion of the money for himself and then paid the other portion to the State lawmakers. The college president also allegedly hired one of the Senator's friends into an administrative position at the school. In his guilty plea, the State representative admitted to receiving about \$38,000 in kickbacks for his role in the scheme.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Inspector General Community

- **Data Act Interagency Advisory Committee.** Inspector General Tighe is a member of this committee that provides strategic direction in support of the implementation of the Digital Accountability and Transparency Act of 2014.



Goal

Strengthen the Department's efforts to improve the delivery of student financial assistance.

This goal addresses an area that has long been a major focus of our audit and investigative work—the Federal student financial aid programs. These programs are inherently risky because of their complexity, the amount of funds involved, the number of program participants, and the characteristics of student populations. Our efforts in this area seek not only to protect Federal student aid funds from fraud, waste, and abuse, but also to protect the interests of the next generation of our nation’s leaders—America’s students.

Audit

The Department disburses more than \$125 billion in student aid annually and manages an outstanding loan portfolio of nearly \$1.3 trillion. This makes the Department one of the largest financial institutions in the country. As such, effective oversight and monitoring of its programs, operations, and program participants are critical. Within the Department, the Office of Postsecondary Education and the office of Federal Student Aid (FSA) are responsible for administering and overseeing the student aid programs. The Office of Postsecondary Education develops Federal postsecondary education policies, oversees the accrediting agency recognition process, and provides guidance to schools. FSA disburses student aid, authorizes schools to participate in the student aid programs, works with other participants to deliver services that help students and families finance education beyond high school, and enforces compliance with program requirements. During this reporting period, OIG work identified actions that FSA should take to better protect the interests of students. A summary of this report follows.

Federal Student Aid's Processes for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students and Taxpayers

The audit assessed FSA's processes for (1) identifying schools participating in the Federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended (also referred to as Title IV), that are at risk of unplanned closure and (2) mitigating potential harm to students and taxpayers. The review covered January 2012 through July 2016, which enabled the OIG to see how FSA changed its processes since fiscal issues first emerged at Corinthian Colleges, Inc., (Corinthian) in February 2012 and subsequently closed its schools in April 2015. Our audit determined that FSA had processes, including newer processes that were adopted in response to the Corinthian closure, as well as the new borrower defense regulations, that can help FSA identify Title IV schools at risk of unexpected or abrupt closure and mitigate the potential harm to students and taxpayers. However, we determined that FSA could do more to protect students and taxpayers from these types of school closures. Specifically, FSA needs to improve its processes for reviewing a school's composite score calculation and any related composite score appeal made by a school.

It should also implement controls to prevent schools from manipulating composite scores to avoid sanctions or increased oversight by FSA. Unexpected or abrupt school closures can have significant adverse effects on large numbers of students: they can be displaced from their educational program before completion, earn credits that cannot be transferred to another school, incur significant student loan debt without obtaining a degree or certificate, and have significantly diminished job prospects. School closures can also adversely impact students' job prospects because the students' education may end without a degree and employers may question the quality of the educational programs that the students were enrolled in. Taxpayers are also adversely affected when these closures result in a significant volume of student loan discharges. As of October 2016, the Department reported that it had approved more than \$350 million in loan discharges for students who had attended a Corinthian school. To address the weaknesses identified, the OIG made three recommendations: (1) that FSA establish a standard timeframe under which applicable FSA personnel must send formal demand letters to all schools that are required to provide a letter of credit to continue participating in the Title IV programs, (2) that it identify common ways that a school could manipulate its composite score and amend FSA's "Financial Analysis Procedures" to include a requirement that financial analysts obtain and review detailed financial information for schools that FSA determines are at risk of manipulating their composite scores, and (3) that FSA amend its "Financial Analysis Procedures" to require that financial analysts review prior year notes in EZ-Audit and the Postsecondary Education Participants System for information that could help them during their review of a school's current year composite score. FSA agreed with most of our recommendations. [A09Q0001](#)

“School closures can adversely impact students' job prospects because the students' education may end without a degree and employers may question the quality of the programs that the students were enrolled in.”

Investigations of Schools and School Officials

Identifying and investigating fraud in the Federal student financial assistance programs has always been a top OIG priority. The results of our efforts have led to prison sentences for unscrupulous school officials and others who stole or criminally misused Federal student aid funds, significant civil fraud actions against entities participating in the Federal student aid programs, and hundreds of millions of dollars returned to the Federal Government in fines, restitutions, and civil settlements.

Imprisoned Owner of Defunct FastTrain College Ordered to Pay \$4.1 Million in Restitution, Liable for Millions More (Florida)

In our last Semiannual Report to Congress, we noted that the owner of the now-defunct FastTrain College was sentenced to 8 years in prison for orchestrating a massive fraud scheme that included recruiting students who had not earned a valid high school diploma or its equivalent, falsifying Federal student aid applications and related information to make it appear that the students were eligible to attend the school and receive Federal student aid when in fact they were not, and using exotic dancers as admissions officers in an effort to lure young male students to the school. As a result of their fraudulent recruiting practices, more than 1,300 Federal student aid applications containing falsified information were submitted to the Department, which yielded some \$4.1 million in Federal student aid, a good portion of which the owner used to fund a lavish lifestyle. During this reporting period, the former owner was ordered to pay more than \$4.1 million in restitution. In addition, the court awarded damages in excess of \$12 million and imposed more than \$10 million in civil penalties.

Former Baruch College Athletics Official Charged With Stealing More Than Half a Million Dollars (New York)

The former Baruch College athletics official, who had also served as basketball coach during his tenure at the school, was arrested and charged with embezzling about \$600,000 intended for the school's athletic facilities. The former official allegedly rented the school's gym to outside parties, ostensibly on behalf of Baruch College. In instructions to the renting parties, however, the former official allegedly directed that payments be made directly to him or to entities that he controlled, unbeknownst to the renters or the school. The former official allegedly used the bulk of the funds on personal expenses, such as renovations on his home.

Professional Career Certification and Training Institute Agrees to \$450,000 Settlement (Illinois)

Professional Career Certification and Training Institute, commonly referred to as PCCTI, a proprietary institution offering healthcare and information technology programs, agreed to pay \$450,000 to settle claims that it made payments to school employees based on their enrollment of students in violation of the incentive compensation ban.

More Actions Taken in Masters of Cosmetology Fraud Case (Indiana)

In our last Semiannual Report to Congress, we noted that the former president and chief executive officer of the for-profit Masters of Cosmetology College pled guilty to student aid fraud and agreed to pay more than \$5.8 million in restitution. During this reporting period, the former president was sentenced and the school's former financial aid director pled guilty to her role in the scheme. Together with the former president, the former director falsified information to obtain student aid that far exceeded loan limits or on behalf of students who were ineligible to

receive the aid, forged student signatures on student aid application forms, made misleading statements to students regarding financial aid repayment, and assisted in transferring the Federal student aid into the former president's personal investment account. The former president was sentenced to serve 2 years of probation and was ordered to pay another \$300,000 in restitution.

Former Owner of Salon & Spa Institute Pled Guilty (Texas)

The former owner and campus director of the Salon and Spa Institute pled guilty to attempting to fraudulently obtain Federal student aid through forgery and fraud. From 2010 through 2012, the former owner falsified documents for students who did not have a high school diploma or who did not pass an Ability-to-Benefit test so those students could receive more than \$189,000 in Federal student aid and attend the school, even though they were not eligible to do so.

Former Director of Now-Defunct Coral Ridge Training School Sentenced for Role in Scam That Targeted Nursing Students (Florida)

The former director of the now-defunct Coral Ridge Training School was sentenced for her involvement in a scheme to obtain unauthorized Federal student loans for students in the school's nursing program. The former director falsely told students that they would receive a grant that covered the cost of the training program. She then obtained the students' Federal student aid personal identification numbers and other personal information that she used to electronically sign promissory loan notes totaling more than \$80,000 without the students' consent or authorization. Many students did not learn that the loans had been taken out in their names until they began receiving letters from the loan servicing companies. The former director was sentenced to serve 51 months in prison and 3 years of supervised release.

Former Suffolk University Employee Sentenced for Theft (Massachusetts)

A former Suffolk University employee was sentenced for stealing more than \$40,000 in Federal student aid by falsifying her own student records. While employed in the registrar's office, the employee enrolled in the school's masters of business administration program but failed to attend class or complete required course work. Instead, the employee used her position and access to the school's computer system to assign herself passing grades for classes she never attended. By maintaining the appearance of being a graduate student, the employee was able to obtain more than \$40,000 in Federal student aid, which she spent on vacations and other personal expenses. The former employee was sentenced to serve 6 months of home confinement with monitoring and 2 years of probation. She was also ordered to pay more than \$40,000 in restitution.

Former Manager Sentenced in Student Loan Default Rate Scam (New York)

A former employee in the loan management department of a for-profit school was sentenced on charges related to student aid fraud. The former employee prepared and submitted fraudulent applications for deferment or forbearance for student loans administered by the Department. She did this to fraudulently lower the school's cohort default rate so that it would maintain its eligibility to participate in the Federal student aid programs. From 2010 through 2014, the time period of this scam, the school received about \$93 million in Federal student aid. The former manager was sentenced to serve 3 years of probation, including 6 months of home confinement, and to perform 500 hours a community service. She was also ordered to pay more than \$3,100 in fines and assessments.

Westchester Community College Basketball Coach Pled Guilty in Transcript Scheme (New York)

The former head basketball coach at Westchester College pled guilty to his role in a fraudulent transcript scheme. The former coach admitted that between June 2013 and October 2014, he obtained and submitted forged transcripts of Westchester basketball players to four colleges and universities, including St. John's University, Quinnipiac University, Concordia College, and Florida A&M University. He did so to make it appear that the Westchester players were academically eligible to attend a four year college or university and participate in athletics when in fact they were not.

Investigations of Fraud Rings

Below are summaries of actions taken over the last 6 months against people who participated in Federal student aid fraud rings. Fraud rings are large, loosely affiliated groups of criminals who seek to exploit distance education programs in order to fraudulently obtain Federal student aid. The cases below are just a sample of the large number of actions taken against fraud ring participants during this reporting period.

We also continued with a proactive investigative project to identify student aid fraud rings. The project uses an E-Fraud Query System risk model that we developed, as well as other investigative and analytical tools and data sources, to identify the scope of each fraud ring, estimate the total potential fraud, and establish grounds for initiating criminal investigations. To date, this project has identified more than \$31 million in potential fraud.

Leaders of \$5.2 Million Fraud Ring Indicted (Arizona)

The leader and two conspirators of a fraud ring that tried to obtain nearly \$5.3 million in Federal student aid were indicted on charges of conspiracy, fraud, and aggravated identity theft. The ring allegedly used the personally identifiable information of at least 483 unknowing victims that they used to apply for admissions to and receive Federal student aid from one or more schools in the Maricopa Community College District. The ring members are alleged to have prepared and submitted fraudulent

application forms, used an unsecured Wi-Fi router to assist with the process, and impersonated applicants when delivering documentation in support of the scheme.

Leaders of \$1 Million Fraud Ring Indicted (Michigan)

Members of a three person fraud-ring that allegedly sought to obtain more than \$1 million in Federal student aid were indicted in Michigan. The three allegedly used the personally identifiable information of more than 100 people to apply for admissions and Federal student aid from the University of Maryland University College and other colleges. They allegedly created and submitted fraudulent Free Applications for Federal Student Aid and had student aid prepaid debit cards sent to addresses they controlled. In furtherance of the scheme, the three allegedly submitted the fraudulent student loan applications to file false Federal income tax returns claiming false refunds totaling some \$400,000.

Members of \$500,000 Fraud Ring Pled Guilty (Colorado)

Two of three people involved in a fraud ring that sought to obtain more than \$500,000 in Federal student aid pled guilty to their roles in the scam. From 2010 to 2012, they used the stolen identities of prison inmates to apply for admission to and receive Federal student aid from various community colleges in Colorado. As a result of their efforts, the ring received more than \$500,000 in Federal student aid to which they were not entitled.

Actions Taken Against Members of \$600,000+ Fraud Ring (Louisiana)

The two leaders of a fraud ring that sought to obtain more than \$600,000 in Federal student aid were indicted in Louisiana. From 2008 through 2014, the two allegedly obtained the personally identifiable information of 38 people—some with and others without consent—that they used to apply for and receive Federal student aid from a number of schools, including Ashford University, University of Phoenix, and American Public University. In addition, a woman who participated in the fraud scheme by providing her personally identifiable information to the two pled guilty for her role, for which she received more than \$4,600. In her plea, the woman admitted that she knew that the two ringleaders were using the personally identifiable information of people who were unaware that their information was being used in the scheme.



Leader of \$250,000 Fraud Ring Sentenced (Colorado)

The leader of a ring that targeted online courses and Federal student aid at various community colleges in Colorado and New Mexico was sentenced to 27 months in prison followed by 3 years of supervised release. She was also ordered to pay more than \$233,700 in restitution. From 2007 through 2012, the woman recruited people to act as “straw students,” completed admissions and Federal student aid application forms often containing false information on their behalf, and took a portion of the student aid award balance once received. As a result of her criminal efforts, the ring fraudulently obtained more than \$250,000 in student aid.

Another Member of Fraud Ring That Targeted Student Aid and Mortgage Loans Sentenced (Illinois)

The fourth member of fraud ring that sought to obtain more than \$2.7 million in student aid, mortgages, bank, and small business loans was sentenced to 30 months in prison and 12 months of supervised release and was ordered to pay more than \$129,800 in restitution. Between 2010 and 2012, the ring submitted at least 40 fraudulent admissions and financial aid applications to Harper College, Elgin Community College, and Joliet Junior College. For some of the applications, the ring used stolen identities that it obtained through credit card and mortgage fraud schemes. Financial aid refund checks were sent to several addresses that the ring controlled. They cashed the checks and used the proceeds for themselves.

Leader of \$97,000 Fraud Ring Indicted (Virginia)

A man who allegedly led a fraud ring that targeted Federal student aid schools that included the University of Phoenix and American Public University was indicted in Virginia. From 2009 through 2016, the man allegedly obtained the personally identifiable information of 70 people—some of whom knowingly provided their information while others were the victims of identity theft—which he used to enroll the participants and unwitting victims in online courses at the schools solely for the purpose of obtaining Federal student aid. As a result of his alleged efforts, the ring fraudulently obtained more than \$97,000 in student aid.

Leader of \$62,000 Fraud Ring Sentenced (South Carolina)

The leader of a fraud ring that targeted Federal student aid at the University of Phoenix was sentenced on fraud charges. While enrolled at the school himself, the man recruited family members and friends to participate in the fraud ring scheme, obtaining their personally identifiable information and completing and submitting all necessary paperwork knowing that none had any intention of attending classes. He would complete all necessary classwork on their behalf until the student aid refund check was received. As a result of his fraudulent efforts, the ring obtained more than \$62,000. The man was sentenced to serve 6 months in prison and 3 years of supervised release.

Investigations of Other Student Aid Fraud Cases

The following are summaries of the results of additional OIG investigations into abuse or misuse of Federal student aid. Although some of these cases involve criminals who used the identities of others (with and without consent) to exploit distance education programs in order to obtain Federal student aid, they are not fraud rings because they do not involve multiple fraud perpetrators.

Men Sentenced for Using Federal Student Aid to Support Islamic State in Iraq and Syria (Minnesota, California)

In previous Semiannual Reports, we highlighted actions against defendants for using or attempting to use Federal student aid to provide material support to the Islamic State in Iraq and Syria (ISIS). During this reporting period, more actions were taken in two separate cases. In the first case, three men in Minnesota were sentenced for conspiring to commit murder and provide material support to ISIS; two of them were also sentenced for attempting to use Federal student aid to do so. The men sought to use a portion of their Federal student aid to purchase a round-trip airline ticket to Greece with the intention of traveling to Syria to fight for ISIS. One of the men was sentenced to serve 15 years in prison; the second was sentenced to serve 10 years in prison. In the second case, two men were sentenced in California for conspiring to provide material support to ISIS. One of the men was also sentenced for attempting to use Federal student aid to do so. The student sought to use Federal student aid to purchase a plane ticket for another man to travel to Turkey and eventually to Syria to join ISIS. Both men were sentenced to 30 years in prison and a lifetime of supervised release.

Print Shop Owner Charged in Phony Transcripts, Diplomas, GED Scheme (Louisiana)

The owner of Superior Printing was charged with conspiracy for allegedly running a fake documents scam out of his print shop, producing and selling phony high school transcripts, diplomas, GED certificates, and other materials, including pre-addressed envelopes with the Louisiana Department of Education's address. When selling the fraudulent materials to students, the owner allegedly encouraged them to mail the documents from Baton Rouge so the documents would look more legitimate. Approximately 100 students allegedly used the phony documents to apply for admission to Delgado Community College. The full amount of Federal student aid received by the students involved in this alleged scam is still being determined.

Woman Who Stole Identities from Healthcare Company's Patient Database Sentenced for Identity Theft and Fraud (Georgia)

A woman was sentenced to prison for stealing the personally identifiable information of people in the patient database of healthcare company where she briefly worked. She used those identities to obtain hundreds of thousands of dollars in Federal

student aid. From 2013 to 2015, the woman filed dozens of fraudulent financial student aid applications, mostly with community colleges in Dallas County, Texas. Three of the fraudulent applications listed dependents who were the woman's minor children. The woman was sentenced to serve 6 years and 7 months in prison followed by 3 years of supervised release. She was also ordered to pay more than \$277,400 in restitution.

Former Bibb County Public School Employee Pled Guilty to Student Loan Fraud (Georgia)

A former Bibb County Public School employee pled guilty to student loan fraud, admitting to using the identities of other people and bogus endorsements necessary to obtain the aid. While pursuing her doctoral degree, the woman was denied additional Federal student aid due to her poor credit. In order to qualify for additional aid, she was required to have another person sign an endorser addendum agreeing to pay her loans if she did not. Without their knowledge or consent, the woman obtained the personally identifiable information of three people, one of whom she worked with at Bibb County Public Schools, and used the information to create and submit forged endorsement addendums. As a result, she was able to obtain more than \$93,000 in Federal student aid and attempted to obtain another \$150,000. As a part of the plea agreement, the woman agreed to pay more than \$123,700 in restitution. She will be sentenced later this year.

Woman Sentenced for Using Son's Identity to Obtain More Than \$118,000 in Student Aid (Pennsylvania)

A woman who used her son's identity to fraudulently obtain Federal student aid was sentenced to prison in Pennsylvania. The woman used her son's identity to fraudulently apply for and receive more than \$118,000 in student aid, forging her son's and her husband's signatures on the forms. The woman was sentenced to serve 1 day in prison and 4 years of supervised release, including 6 months of community confinement. She was ordered to pay more than \$118,000 in assessments and restitution.

“Three men in Minnesota were sentenced for conspiring to commit murder and provide material support to ISIS; two of them were also sentenced for attempting to use Federal student aid to do so.

Woman Sentenced for Stealing Coworkers' Identities in Student Aid Fraud Scam (Tennessee)

A woman who participated in an identity theft and student aid scam was sentenced to 3 years of probation and was ordered to pay more than \$103,000 in restitution. The woman stole the personally identifiable information of a number of her coworkers and provided them to a conspirator who used the information to apply for admissions to and receive Federal student aid from schools including Missouri State University, Southeast Missouri State University, Southern Illinois University at Carbondale, University of Mississippi, and Eastern Illinois University. Her conspirator pled guilty to his role in the scam in 2016.

Woman Pled Guilty to Scamming Multiple Agencies Out of Nearly \$900,000 in Federal Funds (Kansas)

A woman pled guilty for conspiring to obtain nearly \$900,000 in Federal funds through a variety of schemes, including filing false tax returns and using stolen Social Security numbers to apply for unemployment insurance. The woman also used a different name and Social Security number to apply for and receive more than \$74,500 in Federal student aid after defaulting on student loans in her own name and losing eligibility.

Couple With Criminal Histories Sentenced for Student Aid Fraud (Virginia)

A couple with criminal histories in other States were sentenced in Virginia for student aid fraud. The two used aliases and the identities of others—including relatives, friends, prison inmates, and a veteran convalescing in a military hospital—to fraudulently apply for admissions and Federal student aid from multiple schools, including Northern Virginia Community College, Front Range Community College, Community College of Denver, Portland Community College, and Black Hills State University. The man was sentenced to serve 51 months in prison followed by 4 years of supervised release; the woman was sentenced to serve 45 months in prison and 4 years of supervised release. Both were ordered to pay more than \$34,900 in restitution.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

- **Department of Education Policy Committees.** OIG staff participate in an advisory capacity on these committees, which were established to discuss policy issues related to negotiated rulemaking for student loan regulations and for teacher preparation regulations.

Review of Legislation, Regulations, Directives, and Memoranda

- **Department's Program Integrity and Improvement (State authorization) final rule.** The OIG provided comments on the preamble discussion to improve the quality and integrity of the document.



Goal

Protect the integrity
of the Department's
programs and operations.

Our third strategic goal focuses on our commitment to protect the integrity of the Department's programs and operations. Through our audit work, we identify problems and propose solutions to help ensure that programs and operations are meeting the requirements established by law and that Federally funded education services are reaching the intended recipients—America's students. Through our criminal investigations, we help to protect public education funds for eligible students by identifying those who abuse or misuse Department funds and helping hold them accountable for their unlawful actions.

Audits and Reviews

During this reporting period, we issued the final two audits in our series of work involving State educational agencies' (SEAs) efforts to correct single audit findings. SEAs are responsible for advising local educational agencies (LEAs) of the requirements associated with the use of Federal funds and ensuring that they comply with those requirements. As single audits are often the only on-site reviews of how LEAs spend Federal dollars, correcting any findings identified in single audits is a critical tool in protecting Federal funds from waste, fraud, and abuse. Recent Semiannual Reports to Congress highlighted the findings from our first two audits in this series regarding the Massachusetts Department of Elementary and Secondary Education (SAR 72), and the North Carolina Department of Public Instruction (SAR 73). Both audits identified needed improvements. Below you will find descriptions of the last reports issued in this series: our audit of the Illinois State Board of Education and our management information report to the Department that highlighted several areas of concern identified through the three State audits.

Illinois State Board of Education's Oversight of Local Education Agency Single Audit Resolution

The audit found that the Illinois State Board of Education (the Illinois SEA) did not provide effective oversight to ensure that LEAs took timely and appropriate action to correct single audit findings. This occurred because the Illinois SEA lacked an audit resolution process that effectively resolved findings, did not comply with Federal requirements, and lacked coordination among divisions and between the SEA and the LEAs. No one division within the Illinois SEA was overseeing this function and the SEA did not develop appropriate controls to identify weaknesses or areas of noncompliance. Specifically, we determined that the Illinois SEA (1) did not ensure that all corrective action plans were appropriate to resolve audit findings and to prevent repeat findings, (2) did not communicate effectively with LEAs during the audit resolution process to obtain sufficient information about the findings or determine appropriate corrective actions, (3) did not issue management decisions for LEA single audit findings as required by Federal regulations, and (4) did not adequately track LEA findings or the status of corrective actions or follow up with LEAs to ensure they timely implemented corrective actions. As a result, single audit findings at numerous LEAs repeated for multiple years, putting Federal

funds and program outputs at risk. To address these recommendations, we made seven recommendations, including that the Illinois SEA assign responsibility for designing and overseeing the Illinois SEA's LEA single audit resolution process to a single division, develop a management decision template that meets regulatory requirements for content and require issuance of a management decision letter to applicable LEAs for every Federal education program finding, and take immediate action to ensure that all LEAs that currently have unresolved repeat findings take prompt and appropriate corrective actions. The Illinois SEA agreed with our findings and recommendations and stated that it would take immediate action to resolve repeat single audit findings. [A02P0008](#)

Management Information Report on State Oversight of Local Educational Agency Single Audit Resolution

We issued a management information report to the Department to highlight several areas of concern and some positive practices identified through our audits of SEA oversight of LEA single audit resolution. The results of our audits in the three States (Illinois, Massachusetts, and North Carolina) indicated a need for the Department to take steps to help ensure that these SEAs effectively carry out their responsibilities for oversight of LEA single audit resolution. Other SEAs likely have similar needs, and it is important that SEAs promptly address any weaknesses in their oversight to help ensure that LEAs take appropriate corrective actions identified in single audits to ensure that Federal education funds are reaching the intended recipients and achieving the desired results. Therefore, our report recommended actions the Department should take to improve SEA oversight of LEA single audit resolution. Specifically, we recommended that the Department develop and issue detailed guidance to all SEAs describing their responsibilities for oversight of the LEA single audit resolution process. We noted that the guidance should include information regarding potential weaknesses that may require correction and positive practices that SEAs may consider implementing. We also provided six specific elements the guidance should include. The Department agreed with our results and recommendation, and stated that it planned to form a work group that includes representatives from all Department offices that have a role in audit followup to develop the guidance for SEAs. [X09Q0006](#)



Investigations of School Officials, Vendors, and Contractors

OIG investigations include criminal investigations involving bribery, embezzlement, and other criminal activity, often involving State and local education officials, vendors, and contractors who have abused their positions of trust for personal gain. Examples of some of these investigations follow.

Four School Bus Companies Owners Convicted for Roles in a Bid Rigging Conspiracy (Puerto Rico)

Four school bus transportation company owners were convicted for conspiracy to rig bids and divvy up the market for public school bus transportation services in Puerto Rico's Caguas municipality. During the course of a 2013 Caguas municipality auction at which contracts totaling \$3.5 million for school bus transportation were awarded, the four owners and others manipulated the bidding process to enrich themselves by predetermining which company would bid on certain bus routes and agreeing not to compete with those bids. As a result of their efforts, the municipality overpaid for these transportation services.

Education Finance Director for Providence Plan Pled Guilty to Embezzling More than \$742,000 (Rhode Island)

The former finance director for the Providence Plan, a nonprofit educational entity that receives Federal education and other grants for support education and other programs for adults and children in Rhode Island, pled guilty to devising and executing a scheme in which he fraudulently converted more than \$742,000 of Providence Plan funds for his own use. The former director forged and issued unauthorized Providence Plans checks to CMG Enterprises, a company he controlled, from which he made multiple withdrawals in various forms, including credit card payments, check payments, and cash withdrawals at a casino.

Companies Enter into \$1 Million Civil Agreement to Settle False Claims Allegations (Rhode Island)

Rosciti Construction Corporation and Wallace Construction Corporation, together with four of their current and former owners and officers, agreed to pay \$1 million to resolve allegations that they improperly received Federal money earmarked for minority-owned, women-owned, or small businesses (commonly known as disadvantaged business enterprises). Rosciti Construction was awarded contracts through the American Recovery and Reinvestment Act from several agencies, including the Department, for water system and road repairs at Rhode Island College. In these contracts, Rosciti Construction agreed to hire disadvantaged business enterprises subcontractors; however, it hired Wallace Construction on all of its projects, falsely claiming that Wallace Construction was a disadvantaged business

enterprise. Further, Wallace Construction did not have the capacity to perform the necessary work on the projects.

Former El Paso Independent School District Assistant Superintendent Pled Guilty for Role in Grade Changing Conspiracy (Texas)

In our last Semiannual Report to Congress, we noted that criminal actions had been taken against seven current and former El Paso Independent School District employees for their roles in a scam that led to the imprisonment of the former superintendent of El Paso schools. The seven were alleged to have assisted the former superintendent in changing student records, reclassifying student grade levels, and taking other actions to make it appear that the school district was meeting or exceeding Adequate Yearly Progress standards. During this reporting period, one of those seven, a former assistant superintendent of El Paso schools, pled guilty to his role in the scam. The former educator admitted that he gave El Paso principals “marching orders” to prevent 9th grade limited English proficiency students and others whom they perceived would perform poorly on required tests from going on to the 10th grade. Then, the former assistant superintendent, along with others, reclassified and promoted those students to the 11th grade thereby circumventing mandated 10th grade tests.

“The former educator admitted that he gave El Paso principals “marching orders” to prevent 9th grade limited English proficiency students and others whom they perceived would perform poorly on required tests from going on to the 10th grade.

Owner of Askia Learning Concepts Sentenced (Arkansas)

The owner of Askia Learning Concepts, a for-profit organization, was sentenced for theft. The owner embezzled nearly \$149,000 of 21st Century Community Learning Center program funds that were awarded to the company to provide educational services to students at Strong High School. The owner was sentenced to serve 24 months in prison followed by 3 years of supervised release. He was also ordered to pay more than \$148,400 in restitution.

Former Plano Independent School District Employee Pled Guilty to Theft (Texas)

A former Plano Independent School District employee pled guilty to Federal program theft. The former employee stole more than \$142,000 from the school district’s account to pay for personal items, such as storage units, tools, furniture, and electronics. She also facilitated the falsification of time sheets for one of her three children, all of whom worked for the school district at one time or another. In her plea agreement, the former employee admitted to stealing more than \$89,790 from the school; however, the investigation determined that she stole more than \$142,000. The final amount will be determined during sentencing.

President of Philuvine Development Center Sentenced (Florida)

The president of Philuvine Development Center—a Migrant Education High School Equivalency Program grantee—was sentenced for obstructing a Federal audit. During the course of a Department on-site review, the president provided doctored bank records and other false documents to the auditors in an attempt to conceal the fact that she used the school’s money on personal items such as jewelry, clothing, and a matchmaking service. The president was sentenced to serve 6 months in prison and 6 months of home detention and 3 years of supervised release. She was also ordered to pay more than \$62,100 in restitution.

Son of Former Buffalo School District Official Sentenced (New York)

In our last Semiannual Report to Congress, we reported that the former supervisor of Title I programs for the Buffalo School District pled guilty to awarding a fraudulent school district contract to her son for computer and tutoring services that he never provided. During this reporting period, her son was sentenced for his role in the scam. The son submitted invoices to the school district seeking payment for his ghost services, which his mother approved and paid on behalf of the school district. The son was sentenced to 1 year of supervised release and was ordered to pay more than \$15,100 in restitution.

Investigations of Supplemental Educational Services Providers

OIG audit work conducted over the last decade found a lack of oversight and monitoring of Supplemental Educational Services providers by SEAs, which may leave programs vulnerable to fraud, waste, and abuse. Recent OIG investigative work has proven this point, uncovering cases involving fraud and corruption perpetrated by Supplemental Educational Services providers and school district officials. Below is an example of our work in this area.

Former New Mexico Director of Migrant Education Sentenced, Texas Teacher Pled Guilty for Roles in Brilliance Academy Scam (Illinois)

In our last Semiannual Report to Congress, we highlighted our case involving Brilliance Academy and its wholly owned subsidiary Babbage Net School, tutoring companies that received Supplemental Educational Services funds from some 200 schools in 19 States. The owners of the Illinois-based companies had pled guilty to their roles in a widespread fraud scam: they misrepresented the services that the companies provided, gave substandard educational materials to students, falsely inflated invoices for tutoring services, and distributed false student programs and improvement reports to the schools that paid the companies. In addition, the two paid bribes to school officials and others in exchange for their participation in the scam. In the last reporting period, the former Director of Migrant Education for the State of New

Mexico who also oversaw the State's Supplemental Educational Services programs pled guilty to his role in the scam. During this report period, he was sentenced, and the former assistant principal at Fox Tech High School in San Antonio, Texas pled guilty to participating in the scam. The former director conspired with the Brilliance Academy owners to split \$30,000 that New Mexico had allocated to its Migrant Education program. The former director funneled the money through a local New Mexico school district to a sham Texas company—Listo Educational Services—created by the Brilliance Academy owners. In return, the Brilliance Academy owners issued \$8,250 to the former director's wife for purportedly providing educational consulting services to the sham company. The former director was sentenced to serve 1 year and 1 day in prison and 3 years of supervised release and was ordered to pay \$30,000 in restitution. The former assistant principal received cash, checks, a Caribbean cruise for two, and other expenses from the Brilliance Academy owners in exchange for awarding two Supplemental Educational Services contracts to the Brilliance Academy.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Federal and State Audit-Related Groups

- **Association of Government Accountants Partnership for Management and Accountability.** The OIG participates in this partnership that works to open lines of communication among Federal, State, and local governmental organizations with the goal of improving performance and accountability.
- **Government Accountability Office's Domestic Working Group.** Inspector General Tighe serves on this working group focused on advancing accountability in Federal, State, and local government.

Review of Legislation, Regulations, Directives, and Memoranda

- **FAQs for Supporting Effective Educator Development Grant Program.** The OIG provided corrective edits to the draft text.
- **FAQs for Integrated Location Criteria of "Competitive Integrated Employment."** The OIG made clarifying suggestions.
- **Promise Neighborhoods Program Notice Inviting Applications.** The IG provided technical edits and suggestions.



Goal

Contribute to improvements in
Department business operations.

Effective and efficient business operations are critical to ensure that the Department effectively manages its programs and protects its assets. Our fourth strategic goal speaks to that effort. Our reviews in this area seek to help the Department accomplish its objectives by ensuring its compliance with applicable laws, policies, and regulations and the effective, efficient, and fair use of taxpayer dollars with which it has been entrusted.

Audits and Reviews

OIG work completed over the last 6 months that contribute to this goal includes statutory audits involving the Department's information technology security and financial management, compliance-focused reviews of government purchase cards, contractor personnel security clearances processes, and the Digital Accountability and Transparency Act. Summaries of these reports and reviews are provided below.

Information Technology Security

The E-Government Act of 2002 recognized the importance of information security to the economic and national security interests of the United States. Title III of the E-Government Act, the Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014 (FISMA), requires each Federal agency to develop, document, and implement an agency-wide program to provide security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. It also requires inspectors general to perform independent evaluations of the effectiveness of their agency's information security programs. A summary of our FY 2016 FISMA audit follows.

FY 2016 FISMA Review

Our FY 2016 FISMA review concluded that the Department's and FSA's overall information security programs were generally not effective. We found that although the Department and FSA made some progress in strengthening their information security since FY 2015, weaknesses remained, leaving their systems vulnerable to security threats. The report included 11 findings, 5 of which were repeat findings. In the area of configuration management, we found that certain policies and procedures were not current with National Institute of Standards and Technology and Department guidance, appropriate application protocols were not being used, the Department was unable to prevent people from connecting unauthorized devices to the network, and the Department's and FSA's controls over web applications and their network needed improvement. In the area of identity access management, we found there were vulnerabilities, configuration errors, rogue installations, and access issues for Department databases; the Department had not effectively implemented two-factor authentication for nonprivileged users; and external

network connections did not use two-factor authentication. For the security and privacy training program, we determined that the Department could improve its assessment of personnel with significant security and privacy responsibilities. We evaluated the information security continuous monitoring and incident response security areas against a maturity model, as was required in FY 2016, and assessed them at Level 1 Ad-hoc, which is the lowest maturity level. We made a number of recommendations to address the weaknesses identified, half of which were repeat recommendations from previous FISMA reviews. The Department and FSA concurred or partially concurred with all of the recommendations. [A11Q0001](#)

Financial Management

One of the purposes of the Chief Financial Officers Act of 1990 is to improve agency systems of accounting, financial management, and internal controls to ensure the reporting of reliable financial information and to deter fraud, waste, and abuse of Government resources. The Act requires an annual audit of agency financial statements, which is intended to help improve an agency's financial management and controls over financial reporting. A summary of our FY 2016 financial statement audits follows.

Financial Statements Audits

The OIG's contracted auditors found that the FY 2016 financial statements for the Department and FSA were presented fairly in all material respects, in accordance with generally accepted accounting principles. However, the auditors identified the following two significant deficiencies in internal control over financial reporting:

1. The auditors found significant deficiencies in controls over the Department's processes for model design and development, risk assessment, model operation and validation, and oversight. The Department did not have a comprehensive framework for risk management or fully developed internal controls for its modeling activities, which could impact the reliability of its estimates used for financial reporting, budgetary formulation, and management analysis.
2. The auditors found persistent information technology control deficiencies, including security management, access controls, and configuration management, which can increase the risk of unauthorized access to the Department's systems used to



capture, process, and report financial transactions and balances, affecting the reliability and security of the data and information.

The auditors also found an instance of noncompliance involving a provision of the Debt Collection Improvement Act of 1996, as amended by the Digital Accountability and Transparency Act of 2014, which requires Federal agencies to notify the Secretary of the Treasury of debts that are more than 120 days delinquent. The auditors found that neither the Department nor FSA had processes to comply with the 120-day notification requirement. The auditors made a number of recommendations to address the findings. The Department and FSA agreed with the findings and recommendations. [Department Audit Report](#), [FSA Audit Report](#)

Closing Package Financial Statements

The contracted auditors found that the Department's FY 2016 Closing Package Financial Statements were presented in accordance with generally accepted accounting principles. However, the auditors identified one material weakness in internal controls over financial reporting. Specifically, transactions valued at more than \$30 billion were not properly recorded in the Department's core financial management system, which resulted in misstatements of more than \$600 million (net) to certain account balances reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System, as well as the corresponding Reclassified Financial Statements. The auditors made a number of recommendations to address the findings. The Department agreed with the auditor's report; however, it believed the finding should be classified as a significant deficiency rather than a material weakness. The Department agreed with the details of the findings and recommendations to address the issues identified. [A17Q0003](#)

Department's Detailed Accounting of FY 2016 Drug Control Funds and Related Performance

In accordance with the Office of National Drug Control Policy Circular, "Accounting of Drug Control Funding and Performance Summary," we authenticated the Department's accounting of FY 2016 drug control funds and performance measures for key drug control programs by expressing a conclusion about the reliability of each assertion made in the Department's accounting report and performance report. Based on our review, nothing came to our attention that caused us to believe that management's assertions contained in the Department's detailed accounting report and performance summary report were not fairly stated in all material respects. [B19R0001](#)

Compliance Reviews

During this reporting period, we issued reports on three compliance-focused reviews. First is our audit of the Department's Institute of Education Sciences' compliance with security clearance processes for its contractors. The Department requires all contractor and subcontractor employees to undergo personnel security screenings if they will require an identification badge granting unescorted access to Department facilities, access to information technology systems, or access to unclassified sensitive information, or if they will perform duties in a school or location where children are present. This report is the first in what will be a series of audits to determine whether the Department has effectively implemented the

requirements for contractor personnel security screenings. Second is our statutory review involving government purchase cards, and third is a readiness review in advance of our statutory reporting requirement to Congress on the Department's implementation of the Digital Accountability and Transparency Act. A summary of these reviews follows.

The Institute of Education Sciences' Contractor Personnel Security Clearance Process

We selected the Institute of Education Sciences (IES) for our first audit in this series. When we initiated our audit planning, IES represented a significant number and dollar value of the active contracts within the Department, with more than 6,390 contractor employees under the 5 contracts selected for review. Overall, our audit found that IES did not effectively implement Department requirements for the contractor personnel security screening process. We specifically noted weaknesses in IES's development of internal policies and procedures, designation of contract positions and position risk levels, notification and maintenance of security screening decisions and other related information, and inclusion of required contract provisions in contract solicitations.

We found that IES staff and officials involved in the process were generally unaware of Department requirements and their related responsibilities for processing contractor employees' security screenings. We also determined that IES has not ensured that all contractor employees have appropriate security screenings and that security screenings are initiated in a timely manner. For example, security screening should have been conducted for 81 of the 95 contractor employees in our sample; however, we found no evidence of an appropriate security screening for 48 (59 percent) of those 81 contractor employees. Further, we found that an additional 15 (19 percent) of the 81 contractor employees received security screenings under a prior Department contract they worked on or during prior employment at another Federal agency. However, IES did not verify these screenings for any of these employees as required. Lastly, we determined that IES did not always initiate the screenings within 14 days as required by the Department's personnel security screening processes directive. Because IES did not ensure that the contractor employees assigned to its contracts received appropriate security screenings, the Department lacks assurance that contractor employees with access to Department-controlled facilities and systems, unclassified sensitive information, and school children are suitable for the level of access granted to them. Additionally, the Department's information and systems might be vulnerable to inappropriate disclosure and abuse by contractor employees who may not meet security standards, including those in positions with the potential for moderate to serious impact on the efficiency of the Department.

We made 11 recommendations to address these weaknesses. IES acknowledged that its contractor personnel security screening process could be improved and committed to implementing the recommendations but stated that it will need support and assistance from the Department to do so. IES also provided proposed action steps addressing each recommendation. [A19R0002](#)

Purchase Card Risk Assessment for FY 2016

The Government Charge Card Abuse Prevention Act of 2012 requires inspectors general to conduct periodic risk assessments of their agency's purchase card program

to identify and analyze the risks of illegal, improper, and erroneous purchases and payments. Inspectors general must then use the results of those risk assessments to determine the scope, frequency, and number of periodic audits of purchase card transactions to perform in the future. Our review determined that the purchase card program does not pose a high risk to the Department and an audit of the program was not necessary. We found that the Department has policies and procedures that address applicable purchase card internal control requirements. We also noted that the Department has adequate monitoring procedures to reduce the risk that illegal, improper, or erroneous purchases are made within its purchase card program. Further, we found that the Department implemented our suggestions from prior assessments to coordinate with its Office of Human Resources regarding the required reporting of data to the Office of Management and Budget on disciplinary actions. [S19Q0003](#)

Department's Compliance With the Digital Accountability and Transparency Act The Digital Accountability and Transparency Act of 2014 (DATA Act) requires Federal agencies to report financial and payment data to the USASpending.gov website. It also requires the OIG of each agency to report to Congress on the completeness, timeliness, quality, and accuracy of the agency's spending data. OIGs were to provide this report no later than November 2016; however, agencies were not required to report spending data until May 2017. To address this reporting data anomaly, inspectors general plan to provide Congress with their first required reports in November 2017. The inspectors general were also encouraged to conduct readiness reviews in advance of the revised due date.

In January, the OIG issued its readiness review of the Department's DATA Act efforts. The review found that the Department was complying with appropriate guidance and requirements and appeared to be on track for meeting its milestones. We did not find any evidence to indicate that the Department was not on track for implementing DATA Act reporting requirements by the May 2017 deadline. We did, however, note that the Department could improve its project management process. Specifically, we found that the Department lacked a designated project manager for its DATA Act implementation efforts, as well as applicable project documentation regarding work performed. These weaknesses may increase the risk of erroneous decision-making and future implementation delays. The Department subsequently designated a project manager to oversee all aspects of DATA Act implementation and agreed with our suggestion to ensure that the project manager adequately documents project activities and is assigned the appropriate authority and responsibilities to effectively perform in that role. [X19Q0001](#)

Investigations

The following is a summary of an OIG investigation related to our fourth goal.

Former Department of the Interior Employee Indicted on Charges of Fraud and Identity Theft (Kentucky)

A former Department of the Interior employee was indicted on charges of fraud and identity theft. The former employee allegedly submitted about 40 false loan applications to 10 lending institutions in the names of her children, her sister,

and her niece to obtain student loans without their knowledge or consent. She allegedly forged signatures on applications forms and falsified pay stubs to show false amounts of income. As a result of her fraudulent efforts, the former employee received more than \$101,000 in student aid.

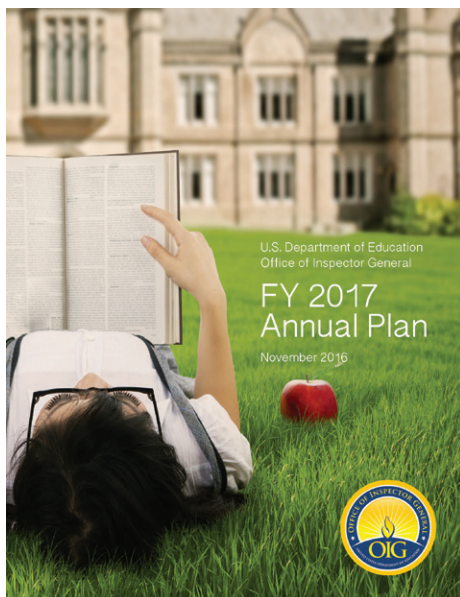
Noteworthy News

FY 2017 Annual Plan

In November, the OIG issued its FY 2017 Annual Plan, which presents the major initiatives and priorities that we intend to undertake to assist the Department in fulfilling its responsibilities to America's taxpayers and students. It details the assignment areas and resources the OIG plans to devote to evaluating the efficiency, effectiveness, and integrity of Department programs and operations. It incorporates suggestions from Department leaders, the Office of Management and Budget, and members of Congress. [Annual Plan](#)

FY 2017 Management Challenges

In October, the OIG issued its FY 2017 Management Challenges Report, a statutorily required report that highlights the most serious management challenges the Department faces and actions the Department needs to take to address them. To identify these challenges, the OIG routinely examines past audit, inspection, and investigative work and reports issued by the Government Accountability Office, including reports issued to management where corrective actions have yet to be taken; assesses ongoing audit, inspection, and investigative work to identify significant vulnerabilities; and analyzes new programs and activities that could post significant challenges because of their breadth and scope. For FY 2017, the OIG identified five management challenges: (1) improper payments; (2) information technology security; (3) oversight and monitoring; (4) data quality and reporting; and (5) information technology system development and implementation. [Management Challenges Report](#)



Congressional Testimony

Management and Fiscal Challenges Facing the Department

In March, Inspector General Tighe testified before the U.S. House of Representatives Labor, Health and Human Services, Education, and Related Agencies Appropriations Subcommittee on the most significant management challenges facing the Department. Inspector General Tighe noted the five challenges detailed in our FY 2017 Management Challenges Report, highlighted one of those challenges, improper payments, and also brought to the Subcommittee's attention an emerging fiscal challenge regarding the Federal student aid credit subsidy. The Inspector General stated that in May 2016, the OIG reported that the Department's improper payment estimates for both the Direct Loan and Pell Grant programs were inaccurate and unreliable because the Department used estimation methodologies that did not include all program reviews that could identify improper payments and did not include improper payments from ineligible programs or locations, or other sources. The Inspector General noted that in response to OIG recommendations, the Department revised its estimates in FY 2016. That revision resulted in the estimated improper payments increasing from \$1.28 billion to \$3.86 billion for the Direct Loan program and from \$560 million to \$2.2 billion for the Pell program. Inspector General Tighe stated that although the OIG believes that the revised rates are more realistic, the significant increases in improper payment rates emphasize the need for the Department to more aggressively address this challenge by using a more stable estimation methodology and intensifying its efforts to address the root causes of the improper payments. The Inspector General then described the emerging fiscal challenge. Although the Department had developed a set of financial and economic models to estimate the cost of its student loan programs, the audits of the Department's and FSA's financial statements this past year determined that the Department's modeling activities were not fully developed, particularly those involving the income-driven repayment plans. Given the size, growth, and changes to this program, ineffective controls over the design of new models can impact the reliability of data, including determining the overall cost to the Federal Government. As an example, the Direct Loan program loan cost, called the subsidy cost, was adjusted upward nearly \$22 billion in FY 2016. This adjustment was based on a number of factors, including program changes in the percentage of discretionary income to be paid, lower-than-anticipated collection rates, and a greater-than-anticipated percentage of borrowers choosing costlier repayment plans. Inspector General Tighe shared with the Subcommittee that the OIG is currently conducting an audit of the Department's disclosures of costs related to these programs and that she would share the results of the audit once completed. [Inspector General Testimony](#)

Non-Federal Audit Activities

The Inspector General Act of 1978, as amended, requires that inspectors general take appropriate steps to ensure that any work performed by non-Federal auditors complies with Government Auditing Standards. To fulfill these requirements, we perform a number of activities, including conducting quality control reviews of non-Federal audits, providing technical assistance, and issuing audit guides to

help independent public accountants performing audits of participants in the Department's programs.

Quality Control Reviews

The Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" requires entities such as State and local governments, universities, and nonprofit organizations that spend \$750,000 or more in Federal funds in one year to obtain an audit, referred to as a "single audit." Additionally, for-profit institutions and their servicers that participate in the Federal student aid programs and for-profit lenders and their servicers that participate in specific Federal student aid programs are required to undergo annual audits performed by independent public accountants in accordance with audit guides that the OIG issues. These audits assure the Federal Government that recipients of Federal funds comply with laws, regulations, and other requirements that are material to Federal awards. To help assess the quality of the thousands of single audits performed each year, we conduct quality control reviews of a sample of audits. The Council of Inspectors General on Integrity and Efficiency (CIGIE) issues guidance regarding the classification of quality control review results. CIGIE's classifications of quality control review results are as follows.

- Pass—audit documentation contains no quality deficiencies or only minor quality deficiencies that do not require corrective action for the audit under review or future audits.
- Pass with Deficiencies—audit documentation contains quality deficiencies that should be brought to the attention of the auditor (and auditee, as appropriate) for correction in future audits.
- Fail—audit documentation contains quality deficiencies that affect the reliability of the audit results or audit documentation does not support the opinions contained in the audit report and require correction for the audit under review.

During this reporting period, we completed 23 quality control reviews of engagements conducted by 22 independent public auditors or offices of firms with multiple offices. We concluded that 1 (4 percent) was Pass, 10 (44 percent) were Pass with Deficiencies, and 12 (52 percent) were Fail. In addition, we referred one independent public auditor to the independent public auditor's State Board of Accountancy for possible disciplinary action. We made this referral due to the independent public auditor's unacceptable work.

OTHER ACTIVITIES

Participation on Committees, Work Groups, and Task Forces

Department

- **Department of Education Senior Assessment Team.** The OIG participates in an advisory capacity on this team that provides oversight of the Department's assessment of internal controls and related reports. The team also provides input to the Department's Senior Management Council concerning the overall assessment of the Department's internal control structure, as required by the Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control."
- **Department of Education Investment Review Board and Planning and Investment Review Working Group.** The OIG participates in an advisory capacity in these groups that review technology investments and the strategic direction of the information technology portfolio.
- **Department Human Capital Policy Working Group.** The OIG participates in this group that meets monthly to discuss issues, proposals, and plans related to human capital management.
- **Department Privacy Incident Response Team.** The OIG participates in this group that focuses on responding to privacy incidents involving the Department's data systems.

Inspector General Community

- **Council of the Inspectors General on Integrity and Efficiency.** OIG staff play an active role in CIGIE efforts. Inspector General Tighe is Chair of the Information Technology Committee. Inspector General Tighe is also a member of CIGIE's Audit Committee and the Suspension and Debarment Working Group, which is a subcommittee of the Investigations Committee.
- OIG staff are members of CIGIE's Assistant Inspector General for Investigations Subcommittee, the Cyber Security Working Group, the Grant Reform Working Group, the Data Analytics Working Group, the Data Act Working Group, the OIG Human Resources Directors' Roundtable, the New Media Working Group. OIG staff also participate in the following.
 - **Financial Statement Audit Network.** OIG staff have a leading role in this Government-wide working group that identifies and resolves key issues concerning audits of agency financial statements and provides a forum for coordination with the Government Accountability Office and the U.S. Department of the Treasury on the annual audit of the Government's financial statements.

- **CIGIE/Government Accountability Office Annual Financial Statement Audit Conference.** OIG staff work on the planning committee for the annual conference that covers current issues related to financial statement audits and standards.
- **Federal Audit Executive Council Information Technology Committee.** OIG staff work in a collaborative effort addressing information technology audit issues impacting the Federal audit community. In addition, through this committee, they also participate in the Subgroup for Federated Agencies that focuses on how the OIGs of federated agencies address, evaluate, and respond to the FISMA metrics.

Federal and State Law Enforcement-Related Groups

- **Northern Virginia Cyber Crime Working Group.** The OIG participates in this working group of Federal, State, and local law enforcement agencies conducting cybercrime investigations in Northern Virginia. The purpose is to share intelligence and collaborate on matters affecting multiple agencies.

Federal and State Audit-Related Groups and Entities

- **Intergovernmental Audit Forums.** OIG staff serve as officers of a number of intergovernmental audit forums, which bring together Federal, State, and local government audit executives who work to improve audit education and training and exchange information and ideas regarding the full range of professional activities undertaken by government audit officials. During this reporting period, OIG staff served as Federal representative for the Southwestern Forum and the New York/New Jersey Forum.
- **Interagency Working Group for Certification and Accreditation.** The OIG participates in this group that exchanges information relating to Federal forensic science programs that share intergovernmental responsibilities to support the mission of the National Science and Technology Council's Subcommittee on Forensic Science.
- **Interagency Fraud and Risk Data Mining Group.** The OIG participates in this group that shares best practices in data mining and evaluates data mining and risk modeling tools and techniques that detect patterns indicating possible fraud and emerging risks.
- **Grant Fraud Working Group.** The OIG participates in this working group focused on improving prevention and enforcement efforts against grant fraud, identifying challenges associated with administering grant programs, providing updates on recent developments in the area, and distilling lessons learned in grant fraud cases.

Reviews of Legislation, Regulations, Directives, and Memorandum

- **H.R. 6066, Cybersecurity Responsibility and Accountability Act of 2016.** The OIG commented that requiring inspectors general to conduct independent evaluations every time there is a major cybersecurity incident would require more resources for IGs, who spend almost all of their information technology-related resources on conducting annual FISMA reviews, and that IGs should submit the results of the evaluations to OMB director, rather than agency head submitting them, to ensure the independence and integrity of the evaluations.
- **S. 582, Office of Special Counsel Reauthorization Act of 2017 and S. 585, Dr. Chris Kirkpatrick Whistleblower Protection Act.** The OIG recommended that for purposes of an agency head disciplining supervisors who are determined to have retaliated against whistleblowers, the legislation specify that the head of the agency for OIG supervisors is the Inspector General. We also commented that due process seems to be reduced for supervisors who are alleged to have retaliated insofar as both the proposing official and the deciding official is the agency head. Under normal circumstances, the proposing official is the employee's immediate supervisor and the deciding official is the supervisor's supervisor.
- **Discussion Draft, Every Dollar Counts Act.** The OIG asked whether the Office of Special Counsel would have concurrent jurisdiction with the OIGs to receive whistleblower retaliation allegations from employees of agencies proposed to be aligned with an OIG; commented that OIGs should not be mandated to investigate allegations from employees of aligned agencies if the allegations are baseless; and asked who decides whether the aligned Inspector General shall permanently oversee the aligned agency.
- **Department's FY 2016 Agency Financial Report.** The OIG provided technical comments.
- **Department Directive, Departmental Policy and Guidance on Creating an Inclusive Workplace for Transgender and Gender-Nonconforming Employees.** The OIG made technical comments.
- **Human Capital Policy, Employment of Noncitizens.** The OIG made technical comments.
- **Human Capital Policy, Probationary Periods.** The OIG made technical comments.



Required Reporting

Required Tables and Appendices

The following provides acronyms, definitions, and other information relevant to the tables that follow.

Acronyms and Abbreviations Used in the Required Tables

ERM	Enterprise Risk Management
FFEL	Family Federal Education Loan
FISMA	Federal Information Security Modernization Act
FSA	Federal Student Aid
IES	Institute of Education Sciences
IG Act	Inspector General Act of 1978, as amended
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCO	Office of Communications and Outreach
ODS	Office of the Deputy Secretary
OESE	Office of Elementary and Secondary Education
OIE	Office of Indian Education
OPE	Office of Postsecondary Education
OPEPD	Office of Planning, Evaluation and Policy Development
OSDFS	Office of Safe and Drug Free Schools
OSERS	Office of Special Education and Rehabilitative Services
OUS	Office of the Under Secretary
OVAE	Office of Vocational and Adult Education
Recs	Recommendations
RMS	Risk Management Service

Definitions

Attestation Reports. Attestation reports convey the results of attestation engagements performed within the context of their stated scope and objectives. Attestation engagements can cover a broad range of financial and nonfinancial subjects and can be part of a financial audit or a performance audit. Attestation engagements are conducted in accordance with American Institute of Certified Public Accountants attestation standards, as well as the related Statements on Standards for Attestation Engagements.

Management Information Reports. Management information reports are used to provide the Department with information and suggestions when a process other than an audit, attestation, or inspection is used to develop the report. For example, OIG staff may compile information from previous OIG audits and other activities to identify overarching issues related to a program or operational area and use a management information report to communicate the issues and suggested actions to the Department.

Special Project Reports. Special projects include OIG work that is not classified as an audit, attestation, inspection, or any other type of alternative product. Depending on the nature and work involved, the special project may result in a report issued outside the OIG. Information presented in the special project report varies based on the reason for the special project (for example, response to congressional inquiry or other evaluation and analysis). The report may contain suggestions.

Questioned Costs. As defined by the Inspector General Act of 1978 (IG Act), as amended, questioned costs are identified during an audit, inspection, or evaluation because of (1) an alleged violation of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) such cost not being supported by adequate documentation; or (3) the expenditure of funds for the intended purpose being unnecessary or unreasonable. OIG considers that category (3) of this definition would include other recommended recoveries of funds, such as recovery of outstanding funds or revenue earned on Federal funds or interest due the Department.

Unsupported Costs. As defined by the IG Act, as amended, unsupported costs are costs that, at the time of the audit, inspection, or evaluation, were not supported by adequate documentation. These amounts are also included as questioned costs.

OIG Product Website Availability Policy

OIG final issued products are generally considered to be public documents, accessible on OIG's website unless sensitive in nature or otherwise subject to Freedom of Information Act exemption. Consistent with the Freedom of Information Act, and to the extent practical, the OIG redacts exempt information from the product so that nonexempt information contained in the product may be made available on the OIG website.

Required Reporting

The following pages presents summary tables and tables containing statistical and other data as required by the IG Act, the Inspector General Empowerment Act of 2016, and the National Defense Authorization Act for Fiscal Year 2008.

Section	Requirement	Table Number	Page Number
-	Statistical Summary of Audit and Other Report Accomplishments (October 1, 2016, Through March 31, 2017)	1	52
-	Statistical Summary of Investigations Accomplishments (October 1, 2016, Through March 31, 2017)	2	53
Section 5(a)(1) and 5(a)(2) of the IG Act	Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations	3	54
Section 5(a)(3) of the IG Act	Uncompleted Corrective Actions Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2016, through March 30, 2017)	4	56
Section 5(a)(4) of the IG Act	Matters Referred to Prosecutive Authorities (October 1, 2016, Through March 30, 2017)	2	53
5(a)(5) and 6(c)(2) of the IG Act	Summary of Instances in Which Information or Assistance was Refused or Not Provided	11	70
Section 5(a)(6) of the IG Act	Listing of Reports Audit and Other Reports and Products on Department Programs and Activities (October 1, 2016, Through March 30, 2017)	5	57
Section 5(a)(8) of the IG Act	Questioned Costs Audit and Other Reports With Questioned or Unsupported Costs	6	58
Section 5(a)(9) of the IG Act	Better Use of Funds Audit and Other Reports With Recommendations for Better Use of Funds	7	59
Section 5(a)(10) of the IG Act	Unresolved Reports Unresolved Audit and Other Reports Issued Before October 1, 2016	8	60
Section 5(a)(10)(B) of the IG Act	Summary of Audit Reports for Which No Agency Comment was Returned to the OIG Within 60 days of issuance	11	70
Section 5(a)(10)(C) of the IG Act	Outstanding Unimplemented Recommendations Before Reporting Period, With Aggregate Potential Cost Savings	8	60
Section 5(a)(12) of the IG Act	Significant Management Decisions With Which the OIG Disagreed	11	70

Section	Requirement	Table Number	Page Number
Section 5(a)(13) of the IG Act	Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996	11	70
Section 5(a)(14)-(16) of the IG Act	Peer Review Results	10	69
Section 5(a)(17) of the IG Act	Investigative Reports Issued Number of Persons Referred to the U.S. Department of Justice Number of Persons Referred to State and Local Prosecuting Authorities Indictments and Criminal Informations That Resulted From Prior Referrals to Prosecuting Authorities	2	53
Section 5(a)(18) of the IG Act	Description of the Metrics Used for Developing the Investigative Data for the Statistical Tables Under 5(a)(17)	2	53
Section 5(a)(19) of the IG Act	Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct Were Substantiated	11	70
Section 5(a)(22) (B) of the IG Act	Description of Investigations Involving Senior Government Employees (GS-15 or Above) That Were Closed but Not Disclosed to the Public	11	70
Section 5(a)(20) of the IG Act	Description of Instances of Whistleblower Retaliation	11	70
Section 5(a)(21) of the IG Act	Description of Attempt by Agency to Interfere With OIG Independence	9	68
Section 5(a)(22)(A) of the IG Act	Description of Audits Closed but Not Disclosed to the Public	11	70
Section 845 of the National Defense Authorization Act for Fiscal Year 2008	Contract-Related Audit Products With Significant Findings	11	70

Table 1. Statistical Summary of Audit and Other Report Accomplishments (October 1, 2016, Through March 31, 2017)

Accomplishment	October 1, 2016– March 31, 2017
Audit Reports Issued	8
Inspection Reports Issued	0
Questioned Costs (Including Unsupported Costs)	\$0
Recommendations for Better Use of Funds	\$0
Other Products Issued	5
Reports Resolved By Program Managers	14
Questioned Costs (Including Unsupported Costs) Sustained	\$661,336
Unsupported Costs Sustained	\$121,311
Additional Disallowances Identified by Program Managers	\$478,220
Management Commitment to the Better Use of Funds	\$0

Table 2. Statistical Summary of Investigative Accomplishments
(October 1, 2016, Through March 31, 2017)

Accomplishment	Description of the Metric	October 1, 2015– March 31, 2016
Investigative Cases Opened	Number of cases that were opened as full investigations or converted from a complaint or preliminary inquiry to a full investigation during the reporting period.	43
Investigative Cases Closed	Number of investigations that were closed during the reporting period.	37
Cases Active at the End of the Reporting Period	Number of investigations not closed prior to the end of the reporting period.	255
Investigative Reports Issued	Number of Reports of Investigation issued during the reporting period.	75
Number of Persons Referred to State and Local Prosecuting Authorities	Number of individuals and organizations formally referred to state or local prosecuting authorities for prosecutorial decisions during the reporting period.	4
Number of Persons Referred to the U.S. Department of Justice	Number of individuals and organizations formally referred to the U.S. Department of Justice for prosecutorial decisions.	21
Indictments and Criminal Informations that Result from Prior Referrals to Prosecuting Authorities	Number of individuals who were indicted or for whom a criminal information was filed during the reporting period.	37
Convictions/Pleas	Number of criminal convictions, pleas of guilty or nolo contendere, or acceptance of pretrial diversions that occurred during the reporting period.	31
Fines Ordered	Sum of all fines ordered during the reporting period.	\$1,008,400
Restitution Payments Ordered	Sum of all restitution ordered during the reporting period.	\$2,127,808
Civil Settlements/Judgments (number)	Number of civil settlements completed or judgments ordered during the reporting period.	7
Civil Settlements/Judgments (amount)	Sum of all completed settlements or judgments ordered during the reporting period.	\$52,429,617
Recoveries	Sum of all administrative recoveries ordered by the Department or voluntary repayments made during the reporting period.	\$83,081
Forfeitures/Seizures	Sum of all forfeitures/seizures ordered during the reporting period.	\$4,100,000
Estimated Savings	Sum of all administrative savings or cost avoidances that result in a savings to, or better use of funds for, a program or victim during the reporting period. These are calculated by using the prior 12 month period of funds obtained or requested and then projecting that amount 12 months forward.	\$0
Suspensions Referred to Department	Number of suspensions referred to the Department during the reporting period.	5
Debarments Referred to Department	Number of debarments referred to the Department during the reporting period.	7

Table 3. Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations

Audit	Description
<p>Final Independent Auditor's Report Fiscal Year 2016 and 2015 Financial Statement Audits</p> <p>U.S. Department of Education and Federal Student Aid</p>	<p>The financial statement audits for the Department and FSA identified two significant deficiencies in internal control over financial reporting and one instance of reportable noncompliance. The two significant deficiencies were as follows:</p> <ul style="list-style-type: none"> (1) controls over the Department's processes for model design and development, risk assessment, model operation and validation, and oversight, as the Department did not have a comprehensive framework for risk management or fully developed internal controls for its modeling activities, which could impact the reliability of its estimates used for financial reporting, budgetary formulation, and management analysis; and (2) persistent information technology control deficiencies, including security management, access controls, and configuration management, which can increase the risk of unauthorized access to the Department's systems used to capture, process, and report financial transactions and balances, affecting the reliability and security of the data and information.
<p>Final Independent Auditor's Report Fiscal Year 2016 Closing Package Financial Statements U.S. Department of Education</p> <p>A17Q0003</p>	<p>Our audit of the closing package financial statements of the Department, as of and for the year that ended September 30, 2016, disclosed one material weakness in internal control over financial reporting that was required to be reported in accordance with Government Auditing Standards and OMB Bulletin 15-02. In FY 2015, the U.S. Department of the Treasury introduced the Government-wide Treasury Account Symbol Adjusted Trial Balance System to facilitate a more efficient process for compiling the Financial Report of the U.S. Government and managing intragovernmental elimination entries. This new system required federal agencies to upload trial balance data derived from their core financial management systems and required many agencies to adjust their accounting processes and provide training to their staff to accommodate the specific requirements of this new system. The Department identified transactions valued at more than \$30 billion that were not properly recorded in its core financial management system, which resulted in misstatements of more than \$600 million (net) to certain account balances reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System, as well as the corresponding Reclassified Financial Statements. The Department did not have a sufficient process to validate the Reclassified Financial Statements and properly reconcile the data from the Government-wide Treasury Account Symbol Adjusted Trial Balance System to the agency's audited general purpose financial statements.</p>
<p>U.S. Department of Education's Federal Information Security Modernization Act for Fiscal Year 2016</p> <p>A11Q0001</p>	<p>The FY 2016 FISMA audit identified a number of significant problems and deficiencies, all of which leave Department and FSA systems vulnerable to security threats and cyberattacks and expose data and user accounts to malicious exploits. Some of the problems and deficiencies identified included (1) the Department was not using appropriate application connection protocol; (2) the Department was unable to prevent unauthorized devices from connecting to its network; (3) weaknesses in the Department's and FSA's ability implement and manage the technical security architecture that supports their applications and application infrastructure; (4) unaddressed vulnerabilities, configuration errors, rogue installations and access issues in select Department and FSA databases; and (5) inconsistent and ineffective implementation of two-factor authentication.</p>

Audit	Description
<p>The Institute of Education Science's Contractor Personnel Security Clearance Processes</p> <p>A19R0002</p>	<p>Our audit report on IES's contractor personnel security clearance process found that IES staff and officials involved in the process were generally unaware of Department requirements and their related responsibilities for processing contractor employees' security screenings. We also determined that IES had not ensured that all contractor employees had appropriate security screenings and that security screenings were initiated in a timely manner. We noted weaknesses in IES's development of internal policies and procedures, designation of contract positions and position risk levels, notification and maintenance of security screening decisions and related information, and inclusion of required contract provisions in contract solicitations.</p>
<p>Federal Student Aid's Processes for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students and Taxpayers</p> <p>A09Q0001</p>	<p>Our audit report on FSA's processes for identifying at-risk schools found that FSA could do more to protect students and taxpayers from unexpected or abrupt school closures. We reported that FSA needed to improve its processes for reviewing a school's composite score calculation and any related composite score appeal made by a school, and implement controls to prevent schools from manipulating composite scores to avoid sanctions or increased oversight by FSA.</p>

Table 4. Significant Recommendations Described in Previous Semiannual Reports to Congress on Which Corrective Action Has Not Been Completed (October 1, 2016, Through March 31, 2017)

This table is limited to OIG internal audit reports of Departmental operations because that is the only type of audit in which the Department tracks each related recommendation through completion of corrective action.

Office	Report Type and Number	Report Title (Prior SAR Number and Page)	Date Issued	Date of Management Decision	Number of Significant Recs Open	Number of Significant Recs Completed	Projected Action Date
FSA	Audit A17O0002	Fiscal Years 2014 and 2013 Financial Statements Federal Student Aid (OCFO is also designated as an action official) (SAR 70, page 41)	11/14/14	1/29/15	1	3	7/31/17
FSA	Audit A06M0012	Handling of Borrower Complaints Against Private Collection Agencies (SAR 69, page 45)	7/11/14	9/9/14	2	9	6/30/17
OCFO	Audit A17P0001 New	Fiscal Years 2015 and 2014 Financial Statements U.S. Department of Education (FSA is copied on report) (SAR 72, page 56)	11/13/15	2/16/16	1	3	4/12/17
OCFO	Audit A17O0001	Fiscal Years 2014 and 2013 Financial Statements U.S. Department of Education (FSA is also designated as an action official) (SAR 70, page 41)	11/14/14	2/26/15	1	3	8/25/17

Table 5. Audit and Other Reports on Department Programs and Activities (October 1, 2016, Through March 31, 2017)

None of the reports listed below included questioned costs or unsupported costs.

Office	Report Type and Number	Report Title	Date Issued	Number of Recs
FSA	Audit A09Q0001	Federal Student Aid's Processes for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students and Taxpayers	2/24/17	3
FSA	Audit A17Q0002	Final Independent Auditor's Report Fiscal Years 2016 and 2015 Financial Statements Federal Student Aid (Budget Service also designated as an action official)	11/14/16	13
IES	Audit A19R0002	The Institute of Education Sciences' Contractor Personnel Security Clearance Process	3/8/17	11
OCFO	Audit A02P0008	Illinois State Board of Education's Oversight of Local Educational Agency Single Audit Resolution	11/7/16	7
OCFO	Audit A17Q0001	Final Independent Auditors' Report Fiscal Years 2016 and 2015 Financial Statements U.S. Department of Education (OCIO and Budget Service also designated as action officials)	11/14/16	13
OCFO	Audit A17Q0003	Final Independent Auditors' Report Fiscal Year 2016 Closing Package Financial Statements U.S. Department of Education	11/16/16	2
OCFO	Special Project S19Q0003	Completion of OIG Risk Assessment of the Department's Purchase Card Program for Fiscal Year 2016	1/31/17	0
OFEO	Management Information X09Q0006	Management Information Report on State Oversight of Local Educational Agency Single Audit Resolution	3/16/17	1
OCIO	Audit A11Q0001	The U.S. Department of Education's Federal Information Security Modernization Act of 2014 Report For Fiscal Year 2016 (Report addressed to ODS and OUS)	11/10/16	15
OCIO	Management Information X19Q0001	The Department's Implementation of the DATA Act (OCFO also designated as an action official)	1/26/17	0 (included 2 suggestions)
OESE	Attestation B19R0001A	Office of Inspector General's Independent Report on the U.S. Department of Education's Performance Summary Report for Fiscal Year 2016, dated March 13, 2017	3/13/17	0
OPEPD	Attestation B19R0001	Office of Inspector General's Independent Report on the U.S. Department of Education's Detailed Accounting of Fiscal Year 2016 Drug Control Funds, dated January 24, 2017	1/30/17	0
OSERS	Audit A03N0006	Rehabilitation Services Administration's Internal Controls Over Case Service Report Data Quality	12/8/16	7
Total				72

Table 6. Audit and Other Reports With Questioned or Unsupported Costs

None of the products reported in this table were performed by the Defense Contract Audit Agency.

Requirement	Number	Questioned Costs (Includes Unsupported Costs)	Unsupported Costs
A. For which no management decision has been made before the commencement of the reporting period	6	\$1,531,236	\$121,311
B. Which were issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	6	\$1,531,236	\$121,311
C. For which a management decision was made during the reporting period	4	\$1,115,256	\$121,311
(i) Dollar value of disallowed costs		\$661,336	\$121,311
(ii) Dollar value of costs not disallowed		\$453,920	\$0
D. For which no management decision was made by the end of the reporting period	2	\$415,980	\$0

Table 7. Audit and Other Reports With Recommendations for Better Use of Funds

None of the products reported in this table were performed by the Defense Contract Audit Agency. The OIG did not issue any inspection or evaluation reports identifying better use of funds during this reporting period.

Requirement	Number	Dollar Value
A. For which no management decision was made before the commencement of the reporting period	0	\$0
B. Which were issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
C. For which a management decision was made during the reporting period:		
Dollar value of recommendations that management agreed to	0	\$0
Dollar value of recommendations that management did not agreed to	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0

Table 8. Unresolved Reports and Unimplemented Recommendations Before October 1, 2016

The Department tracks audit resolution and the implementation of corrective actions related to OIG recommendations in its Audit Accountability and Resolution Tracking System. The Office of the Chief Financial Officer maintains this system, which includes input from OIG and responsible program officials. The Audit Accountability and Resolution Tracking System includes recommendation-level detail for all internal reports where the Department is directly responsible for implementing corrective action. The system includes less detailed information on the status of individual recommendations made to external auditee, such as State educational agencies, local educational agencies, institutions of higher education, other grantees and participants in the Federal student aid programs, and contractors. We generally do not estimate monetary benefits in our internal audits of the Department's management of its programs and operations, other than to identify better uses of funds.

We consider an audit resolved when the OIG and agency management or contracting officials agree on actions to be taken on reported findings and recommendations.

The Department commented on all reports within 60 days of issuance.

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
FSA	Philander Smith College's Administration of Title IV Student Financial Assistance Programs Needs Improvement A06F0018	The audit determined that the school often did not comply with the Title IV program requirements reviewed. As a result, it did not meet the administration capability standards for Title IV programs. Current Status: FSA informed us that the audit is resolved but all corrective actions have not been completed.	11/2/06	Yes	20	\$476,167
FSA	Capella University's Compliance with Selected Provisions of the HEA and Corresponding Regulations A05G0017	The audit found that the school generally complied with the provisions of the HEA and regulations governing institutional eligibility, program eligibility, and student eligibility; however, it did not comply with the provisions of the HEA and regulations governing return of Title IV program funds and FFEL and Pell Grant disbursements. Current Status: FSA informed us that the audit is currently under the appeal process.	3/7/08	Yes	9	\$589,892
FSA	Technical Career Institute's Administration of the Federal Pell Grant and Federal Family Education Loan Program A02H0007	The audit found that although the school met requirements for institutional, program, and student eligibility and for award calculations, it improperly paid FFEL lenders to pay off its students' loans and prevent default, and it had internal control deficiencies in its administration of the Title IV programs. Current Status: FSA informed us that the audit is currently under the appeal process.	5/19/08	Yes	13	\$6,458

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
FSA	Special Allowance Payments to Sallie Mae's Subsidiary, Nellie Mae, for Loans Funded by Tax-Exempt Obligations A03I0006	The audit found that although its billings for the special allowance payments under the 9.5 percent floor complied with laws, Sallie Mae's billing for Nellie Mae did not comply with other requirements for the 9.5 percent floor calculation. Current Status: FSA informed us that the audit is currently under the appeal process.	8/3/09	Yes	3	\$22,378,905
FSA	Ashford University's Administration of the Title IV HEA Programs A05I0014	The audit found that, for its distance education systems, the school designed a compensation plan for enrollment advisors that provided incentive payments based on success in securing enrollment, did not properly perform Federal student aid calculations, did not return Federal student aid funds timely, retained student credit balances without proper authorizations, did not always disburse Federal student aid funds in accordance with Federal regulations or its own policy, and did not maintain supporting documentation for students' leaves of absence. Current Status: FSA informed us that the audit is in the Department's audit closure process.	1/21/11	Yes	13	\$29,036
FSA	Saint Mary-of-the-Woods College's Administration of the Title IV Programs A05K0012	The audit found that the school had been ineligible to participate in Federal student aid programs since 2005 because at least half of its students were enrolled in ineligible correspondence courses. Current Status: FSA informed us that the audit is currently under the appeal process.	3/29/12	Yes	19	\$42,362,291
FSA	Metropolitan Community College's Administration of Title IV Programs A07K0003	The audit found that the school did not establish that students had high school diplomas or their equivalent or passed an approved Ability-to-Benefit test that was properly administered, resulting in improper disbursements; did not ensure that students whose records we reviewed were meeting the satisfactory academic progress requirement; disbursed funds to ineligible students; did not properly administer its Federal Work Study program; and did not properly calculate return of Title IV funds. Current Status: FSA informed us that the audit is resolved but is within the entity's 45-day appeal period.	5/15/12	Yes	22	\$232,918

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
FSA	Colorado Technical University's Administration of Title IV Programs A09K0008	<p>The audit determined that the school did not comply with Federal requirements regarding student eligibility for Title IV funds, the identification of withdrawn students, and authorizations to retain credit balances.</p> <p>Current Status: FSA informed us that it is currently working to resolve this audit.</p> <p>Proposed Resolution Date: About 30 days.</p>	9/21/12	No	8	\$173,164
FSA	SOLEX College's Administration of Selected Aspects of the Title IV Programs A05O0007	<p>The audit found that the school improperly disbursed Federal student aid to students who were enrolled in programs that were not qualified to participate in Federal student aid programs under the HEA.</p> <p>Current Status: FSA informed us that the audit is resolved but all corrective actions have not been completed.</p>	9/30/15	Yes	6	\$1,795,500
FSA	Fiscal Years 2015 and 2014 Financial Statements Federal Student Aid A17P0002	<p>The audit identified one significant deficiency in internal control over financial reporting involving information technology controls over security management, personnel security, access controls, and configuration management; and one instance of reportable noncompliance as it did not have a process in place to comply with the requirement to inform the Secretary of the Treasury of debts that are more than 120 days delinquent.</p> <p>Current Status: FSA informed us that the audit is currently in the Department's audit closure process.</p>	11/13/15	Yes	4	\$0
FSA	FSA Oversight of the Development and Enhancement of Information Technology Products A04O0014	<p>The audit found that FSA's oversight of information technology projects was not sufficient to ensure that lifecycle management methodology was appropriately implemented.</p> <p>Current Status: FSA informed us that the audit is resolved but all corrective actions have not been completed.</p>	6/30/16	Yes	5	\$0

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
IES	Protection of Personally Identifiable Information in the Commonwealth of Virginia's Longitudinal Data System A02P0006	The audit identified internal control weaknesses in the State's system that contains students' personally identifiable information that increases the risk that the State will be unable to prevent or detect unauthorized access and disclosure of personally identifiable information. Current Status: IES did not provide status information for this audit during this reporting period. Proposed Resolution Date: Unknown	7/12/16	No	3	\$0
IES	Protection of Personally Identifiable Information in Oregon's Statewide Longitudinal Data System A02P0007	The audit found that the Oregon's statewide longitudinal data system had a lack of documented internal controls in the system that increases the risk that the State will be unable to prevent or detect unauthorized access and disclosure of personally identifiable information. Current Status: IES did not provide status information for this audit during this reporting period. Proposed Resolution Date: Unknown	9/27/16	No	3	\$0
OCFO	Audit of the University of Illinois at Chicago's Gaining Early Awareness and Readiness for Undergraduate Programs Project (OPE also designated as action official) A05D0017	The audit of the school's GEAR UP program found that it did not serve the number of participants it was funded to serve and that its partnership did not provide the required matching funds. Current Status: OCFO did not provide status information for this audit during this reporting period.	1/14/04	Yes	4	\$1,018,212
OCFO	The North Carolina Department of Public Instruction's Administration of its Race to the Top Grant (OESE also designated as an action official) A05O0005	The audit found that the North Carolina Department of Public Instruction could improve its administration of its Race to the Top grant by strengthening its system of internal control over contracting and by more closely monitoring the fiscal activity of participating local educational agencies and charter schools to ensure that they complied with all applicable Federal requirements. Current Status: OCFO did not provide status information for this audit during this reporting period.	7/13/15	Yes	6	\$47,508

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OCFO	Audit of the Followup Process for External Audits in the Office of the Chief Financial Officer A19P0004	The audit found that OCFO did not close audits timely and did not adequately maintain documentation of audit followup activities. Current Status: OCFO informed us that the audit is resolved but all corrective actions have not been completed.	9/28/15	Yes	2	\$0
OCFO	Massachusetts Department of Elementary and Secondary Education's Oversight of Local Educational Agency Single Audit Resolution A09P0001	The audit found that the Massachusetts Department of Elementary and Secondary Education's oversight of local education agency single audit resolution was not sufficient, as it did not always work collaboratively or communicate effectively with local educational agencies that had audit findings to ensure that they took timely and appropriate corrective action; did not have internal controls that were sufficient to ensure that it provided adequate oversight of the local educational agency audit resolution process; and did not appear to make local educational agency audit resolution a high priority. Current Status: OCFO did not provide status information for this audit during this reporting period.	1/25/16	Yes	5	\$0
OCFO	The Tennessee Department of Education's Administration of a Race to the Top Grant A05O0004	The audit determined that, for the specific areas reviewed, the Tennessee Department of Education generally administered its Race to the Top grant in accordance with program requirements and its approved grant application. However, it did not ensure that one of the two local educational agencies included in our review developed and implemented fiscal control and fund accounting procedures that provided reasonable assurance that the local educational agency accounted for and spent Race to the Top funds in accordance with Federal requirements and the approved grant application. Current Status: OCFO did not provide status information for this audit during this reporting period. Proposed Resolution Date: Unknown	3/30/16	No	11	\$242,816

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OCFO	U.S. Department of Education's Compliance with Improper Payment Reporting Requirements for Fiscal Year 2015 (FSA also designated as an action official) A03Q0001	The audit found that the Department did not comply with the Improper Payments Elimination and Recovery Act because it did not meet the reduction target for the William D. Ford Direct Loan Program, its reported improper payment estimates for both the Direct Loan and Pell grant programs were inaccurate and unreliable, and its improper payment estimation methodologies for these programs were flawed. Current Status: OCFO informed us that the audit is currently in the Department's audit closure process.	5/10/16	Yes	9	\$0
OCFO	Audit of the Department's Followup Process for External Audits A19O0001	The audit found that the OCFO Post Audit Group did not fulfill its responsibilities to ensure that action officials had systems to follow up on corrective actions, monitor the Department's compliance with OMB Circular A-50, and ensure the overall effectiveness of the Department's audit resolution and followup system. As a result, the Department does not have assurance that requested corrective action was taken and that issues noted in the OIG audits were corrected. Current Status: OCFO informed us that the audit is resolved but all corrective actions have not been completed.	7/1/16	Yes	7	\$0
OCFO	North Carolina Department of Public Instruction's Oversight of Local Educational Agency Single Audit Resolution A09P0005	The audit found that although the State improved its oversight of local educational agency single audit resolution in recent years, further improvements were needed to ensure that its oversight processes and practices meet all Federal requirements and function effectively. Current Status: OCFO did not provide status information for this audit during this reporting period.	8/26/16	Yes	4	\$0
ODS	Management Certifications of Data Reliability A06Q0001	The audit found that although the Department took actions to ensure the completeness and reasonableness of the data it reported in its Annual Performance Report and select OESE K-12 data, it needs to improve controls to support the accuracy of data that State educational agencies reported. Current Status: ODS informed us that the audit is resolved but all corrective actions have not been completed.	2/11/16	Yes	5	\$0

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
ODS	Nationwide Assessment of Charter and Education Management Organizations A02M0012	The audit determined that charter school relationships with charter management organizations and education management organizations pose three significant risks to Department program objectives: (1) financial risk, (2) risk associated with a lack of accountability over Federal funds, and (3) performance risk. The audit also found that the Department did not have effective internal controls to evaluate and mitigate the risk that charter school management and education management organization pose to Department program objectives. Current Status: ODS informed us that the audit is resolved but all corrective actions have not been completed.	9/29/16	Yes	5	\$0
OESE	Philadelphia School District's Controls Over Federal Expenditures (OSERS, OSDFS, and RMS also designated as action officials) A03H0010	The audit determined that, for the period of our review, the school district did not have adequate fiscal controls in place and that expenditures from selected Federal education grants funds were either unallowable or inadequately supported. We found that the school district did not have written policies and procedures for certifying personnel costs charged to Federal grants, supplanted State and local funds with Federal funds, did not adequately enforce its policies and procedures for a number of its internal operations, and did not have written policies and procedures for a number of fiscal processes. Current Status: OESE informed us that the audit is resolved but they are working to complete it.	1/15/10	Yes	27	\$138,769,898
OESE	Puerto Rico Department of Education's Award and Administration of Personal Services Contracts (OVAE, OSDFS, and RMS also designated as action officials) A04J0005	The audit found that Puerto Rico lacked sufficient controls to ensure compliance with State and Federal laws in awarding personal service contracts and in ensuring that those services were allowable and adequately supported. Current Status: OESE informed us that the audit is currently under the appeal process.	1/24/11	Yes	11	\$15,169,109

Office	Report Title and Number	Summary of Report and Status of Audit/Recommendations	Date Issued	Audit Resolved	Number of Recs	Dollar Value of Aggregate Potential Cost Savings
OESE	Audit of the Department's Oversight of the Rural Education Achievement Program (OCO also designated as an action official) A19P0006	The audit found that improvements were needed within the Department's Office of School Support and Rural Programs' monitoring of Rural Education Achievement Program grantees' performance and use of funds. Despite the need for improvements in monitoring, we concluded that the Department's rural education coordination efforts appear to be effective. Current Status: OESE informed us that the audit is resolved but all corrective actions have not been completed.	9/12/16	Yes	10	\$0
OPE	The Western Association of Schools and Colleges Senior College and University Commission Could Improve Its Evaluation of Competency-Based Education Programs to Help the Department Ensure Programs Are Properly Classified for Title IV Purposes A05P0013	The audit found that the Commission did not have internal controls in its accreditation process that could provide reasonable assurance that it properly classified (for Federal student aid purposes) the methods of delivery of student learning for competency-based education programs. Current Status: OPE informed us that it is currently working to resolve this audit. Proposed Resolution Date: OPE expects to resolve this report by June 2017.	8/2/16	No	6	\$0
OSERS	Audit Followup Process for External Audits in the Office of Special Education and Rehabilitative Services A19P0003	The audit found that although OSERS adequately maintained documentation of audit followup activities for the audits included in our review, it did not close audits timely. Current Status: OSERS informed us that the audit is resolved but all corrective actions have not been completed.	9/22/15	Yes	1	\$0
OSERS	Pennsylvania's Department of Labor and Industry, Office of Vocational Rehabilitation's Case Service Report Data Quality A03P0002	The audit found that the State agency's lack of adequate internal controls over data quality contributed to its reporting of unverifiable and incorrect data on its case services reports. Current Status: OSERS informed us that the audit is resolved but all corrective actions have not been completed.	3/2/16	Yes	5	\$0

Table 9. Description of Attempt by the Agency to Interfere With OIG Independence

Section 5(a)(21) requires a detailed description of any attempt by the establishment to interfere with the independence of the Office, including (A) with budget constraints designed to limit the capabilities of the Office and (B) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action.

Part A. Budget Constraints Designed to Limit the Capabilities of the Office. Nothing to report.

Part B. Resisted or Objected to Oversight Activities. Nothing to report.

Restricted or Significantly Delayed Access to Information. See below.

Audit	Description
Audit of FSA's Enterprise Risk Management Framework	<p>Delay: We experienced a 5-month delay in receiving documents in response to requests that we made while conducting our audit of the enterprise risk management (ERM) framework implemented by FSA. This audit was listed in our FY 2015 work plan, so FSA management had significant advance notice that we would be auditing this area, and on June 6, 2016, we notified FSA that the audit was starting. On October 14, 2016, we made our first request for documents relevant to the audit. FSA provided limited documents to us on October 25 and November 9, 2016. Missing were documents that were essential for us to assess FSA's implementation of ERM. On January 19, 2017, we asked FSA for the missing documents, and on January 27, we asked for additional documents and information. In both communications, we asked that the information be provided by February 13, 2017. On February 13, FSA informed the audit team that because of activities related to the administration transition, FSA would not be able to respond to the request on that date, although it did provide us some documents 2 days later. On March 1, FSA informed us that it had collected most of the documents to address the previous requests, which it later provided to us on March 23, 5 months after our initial request.</p> <p>Department Justification: FSA stated that there was no effort to interfere with OIG independence or unduly delay responses and that it had been quite responsive to the sheer volume of requests from the OIG. It stated that our request put extra strain on limited FSA staff; the departure of personnel responsible for ERM in late January produced a challenge to providing or reconstructing documents; and it had concerns over protecting draft documents that were very sensitive on risk determinations.</p> <p>OIG Comments: Our audit started in October 2016. Key officials did not leave FSA until 3 months after the audit started and our requests for the most important documents were not fulfilled before that time. When we assured FSA that we would not include sensitive information in a public report, we were provided the missing documents in March 2017.</p>
Audit of the Indian Education Formula Grants Program	<p>Delay: We encountered significant and recurring delays receiving responses to nearly all of our requests for information while conducting our audit of the Department's oversight of the Indian Education Formula Grant program. This included delays in getting responses from the Office of Indian Education (OIE) to basic questions and requests for information, which necessitated sending follow-up requests and having to clarify inadequate or unclear responses. Information requested included OIE monitoring plans, letters, and reports. Many of OIE's responses were screened by Office of Elementary and Secondary Education senior management before they were provided to us. This screening process contributed to the delays and to concerns that we may not have received candid responses. Delays ranged from 9 to 45 days (from initial request date to receipt date), with a median delay of 26 days. Follow-up emails and phone calls to OIE frequently went unanswered. In several cases, to elicit a response, we informed OIE that we would assume it did not have the requested documents if it did not provide them by a specified date.</p> <p>Department Justification: OIE stated that there was no effort or attempt to interfere with OIG independence and that it had been quite responsive to the sheer volume of our requests. OIE stated that the program director was on leave and then retired, which caused a strain on resources; the requests occurred during a high volume of work; the OIG changed the scope of the audit; and management had to ensure that we were provided accurate information from staff.</p> <p>OIG Comments: We did not change the audit scope. Although the program director was on leave, staff generally attempted to be responsive to our requests. However, management reviewing and correcting information from staff before it was provided to us caused delays and could impair the audit and prevent us from identifying the root causes of weaknesses we might find.</p>

Table 10. Peer Review Results

Description
<p>No peer review reports were issued during this reporting period. As reported in SAR 72, the last peer review of OIG Audit Services was completed in 2015. We received a rating of pass with no outstanding recommendations. As reported in SAR 71, the last peer review of the OIG Investigation Services was completed in 2015. We received a rating of pass with no outstanding recommendations. In 2016 and reported in SAR 72, our peer review of the U.S. Department of Labor OIG resulted in a rating of pass.</p> <p>There were no outstanding recommendations.</p>

Table 11. Other Reporting Requirements

Requirement	Results
Summary of Instances in Which Information was Refused or Not Provided	Nothing to Report
Significant Revised Management Decisions	Nothing to Report
Significant Management Decisions With Which the OIG Disagreed	Nothing to Report
Unmet Intermediate Target Dates Established by the Department Under the Federal Financial Management Improvement Act of 1996	Nothing to Report
Summary of Audit Reports for Which No Agency Comment Was Returned to the OIG Within 60 Day of Issuance	Nothing to Report
Report on Each Investigation Conducted by the OIG Involving a Senior Government Employee (GS-15 or Above) Where the Allegations of Misconduct Were Substantiated	Nothing to Report
Description of Investigations Involving Senior Government Employees (GS-15 or Above) That Were Closed But Not Disclosed to the Public	Nothing to Report
Description of Instances of Whistleblower Retaliation	Nothing to Report
Audits Closed But Not Disclosed to the Public	Nothing to Report
Contract-Related Audit Products With Significant Findings	Nothing to Report

Acronyms and Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
Data Act	Digital Accountability and Transparency Act of 2014
Department	U.S. Department of Education
FISMA	Federal Information Security Modernization Act of 2014
FSA	Federal Student Aid
FY	Fiscal Year
IES	Institute of Education Sciences
ISIS	Islamic State in Iraq and Syria
LEA	Local Educational Agency
OIG	Office of Inspector General
RSA	Rehabilitation Services Administration
SEA	State Educational Agency

FY 2017 Management Challenges

The Reports Consolidation Act of 2000 requires the OIG to identify and summarize the most significant management challenges facing the Department each year. Below are the management challenges OIG identified for FY 2017.

1. Improper Payments, meeting requirements and intensifying efforts to prevent, identify, and recapture improper payments.
2. Information Technology Security, including management, operational, and technical security controls to adequately protect the confidentiality, integrity, and availability of its systems and data.
3. Oversight and Monitoring, including Federal student aid program participants, distance education, grantees, and contractors.
4. Data Quality and Reporting, specifically program data reporting requirements to ensure that accurate, reliable, and complete data are reported.
5. Information Technology System Development and Implementation, specifically processes related to oversight and monitoring of information technology system development and implementation.

For a copy of our FY 2017 Management Challenges report, visit our website at <http://www2.ed.gov/about/offices/list/oig/managementchallenges.html>.



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